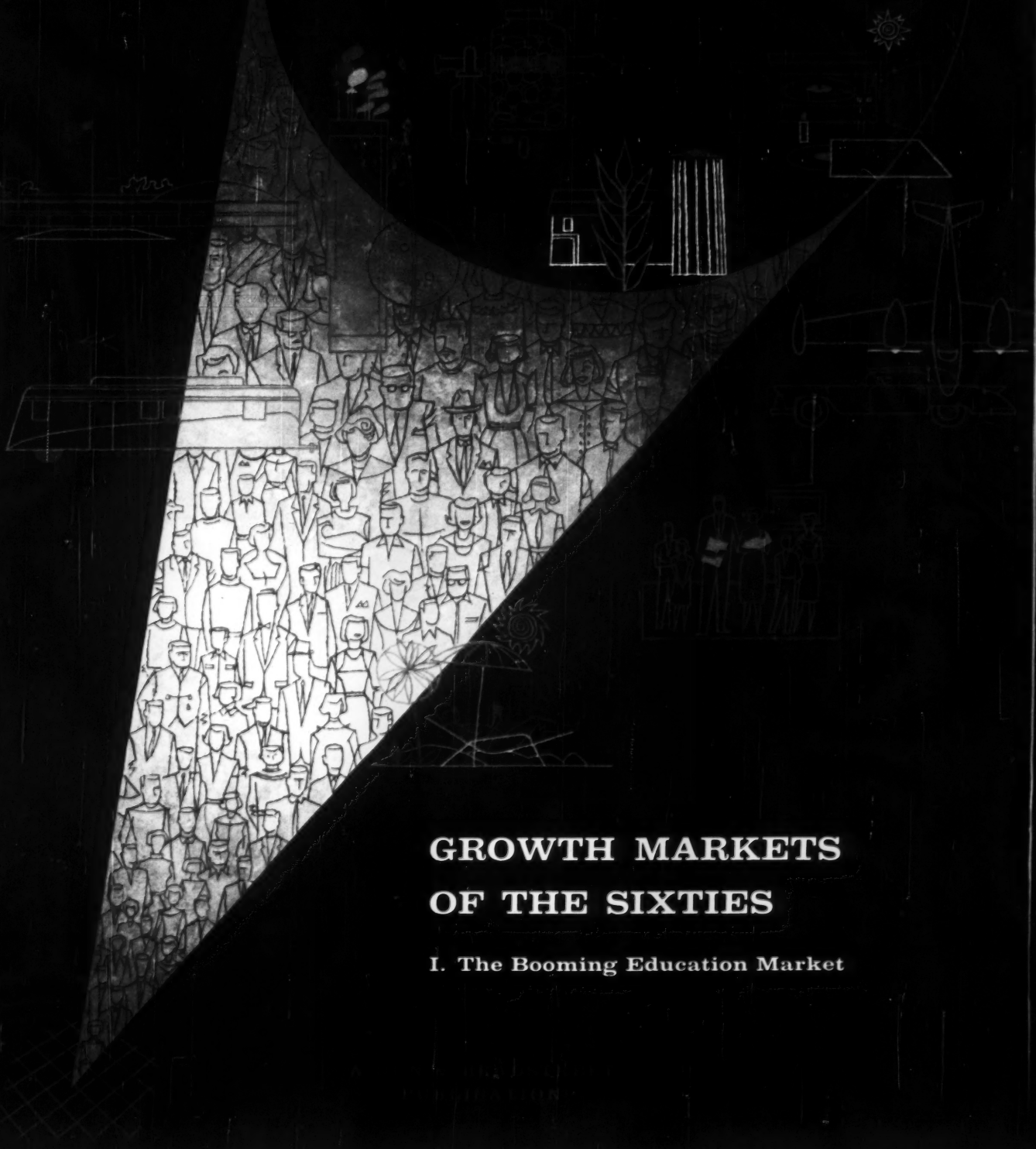
February 1961 75¢

DUN'S REVIEW

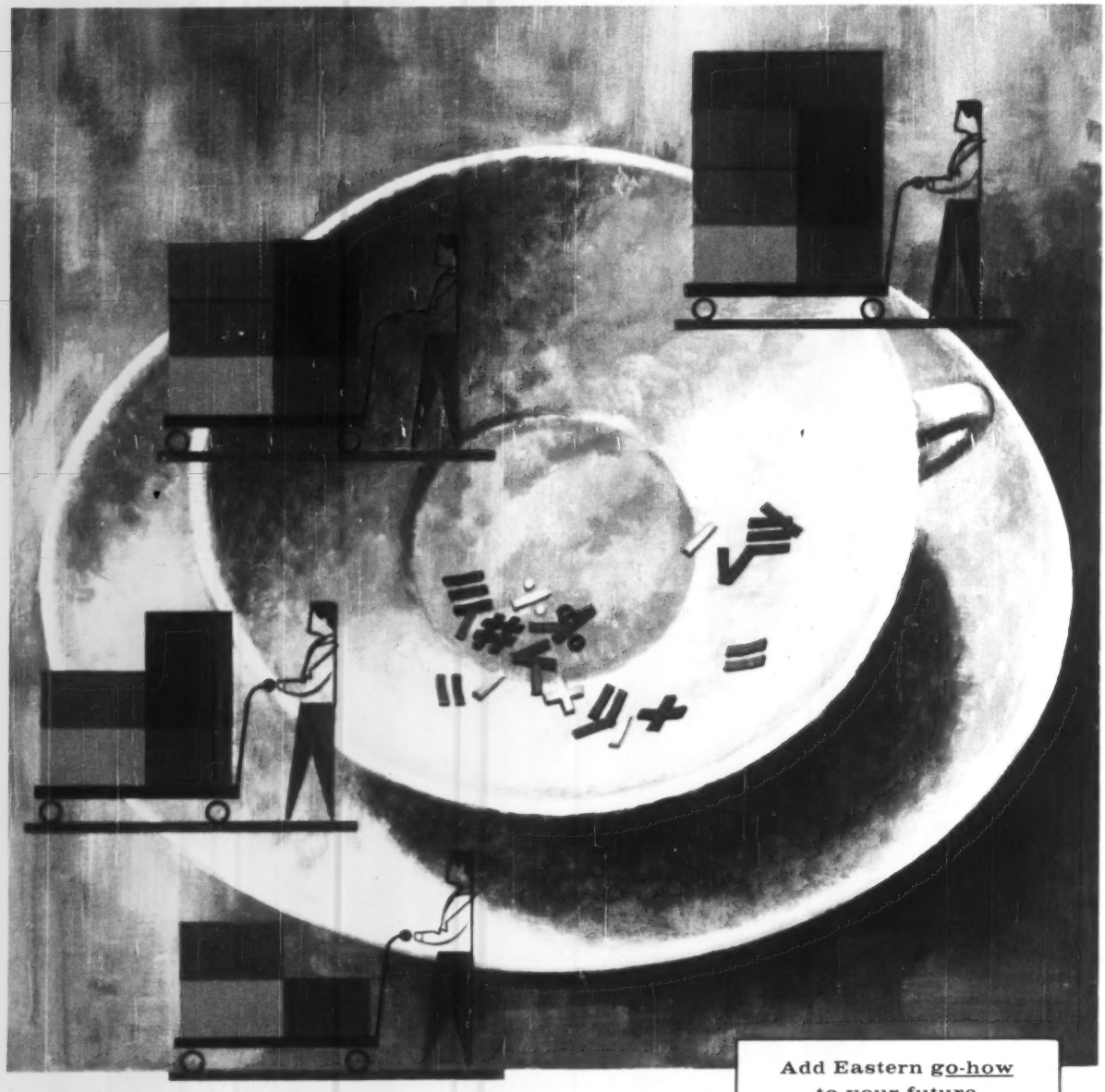
- The Conflict-of-Interest Headache
- Doing Business in the EEC
- Myth of the Overworked Executive



GROWTH MARKETS OF THE SIXTIES

I. The Booming Education Market

CLOSING THE DISTANCE BETWEEN MATERIALS AND MARKET . . . THE MODERN MOTOR CARRIER: **EXPANDING MARKETS**



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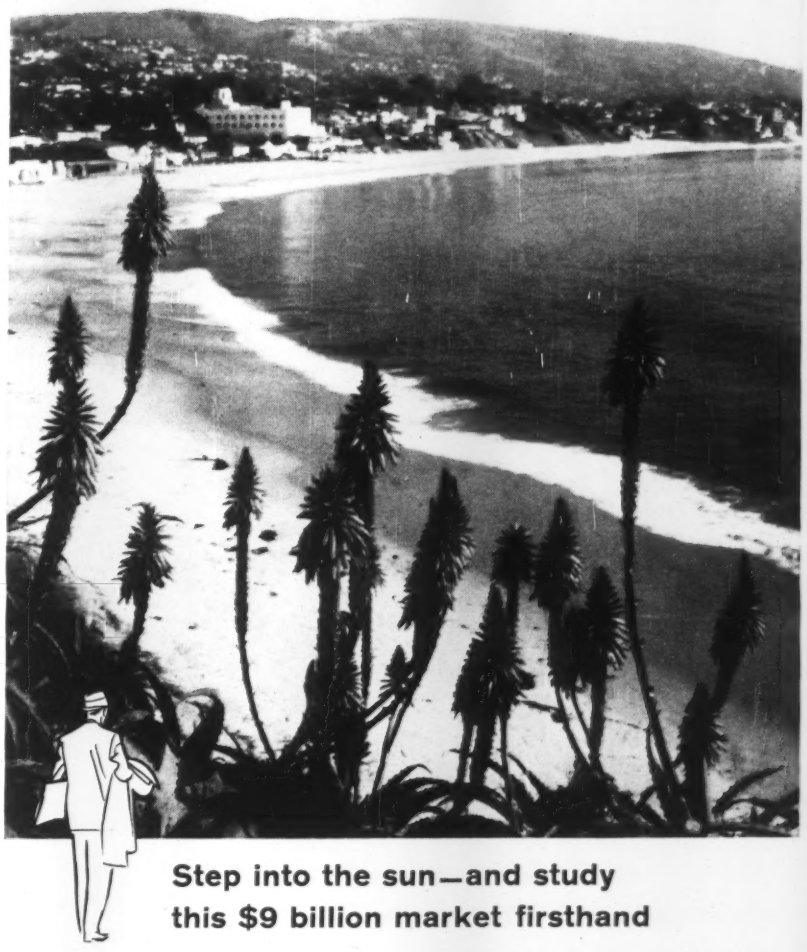
Aloes growing next to the Pacific surf.



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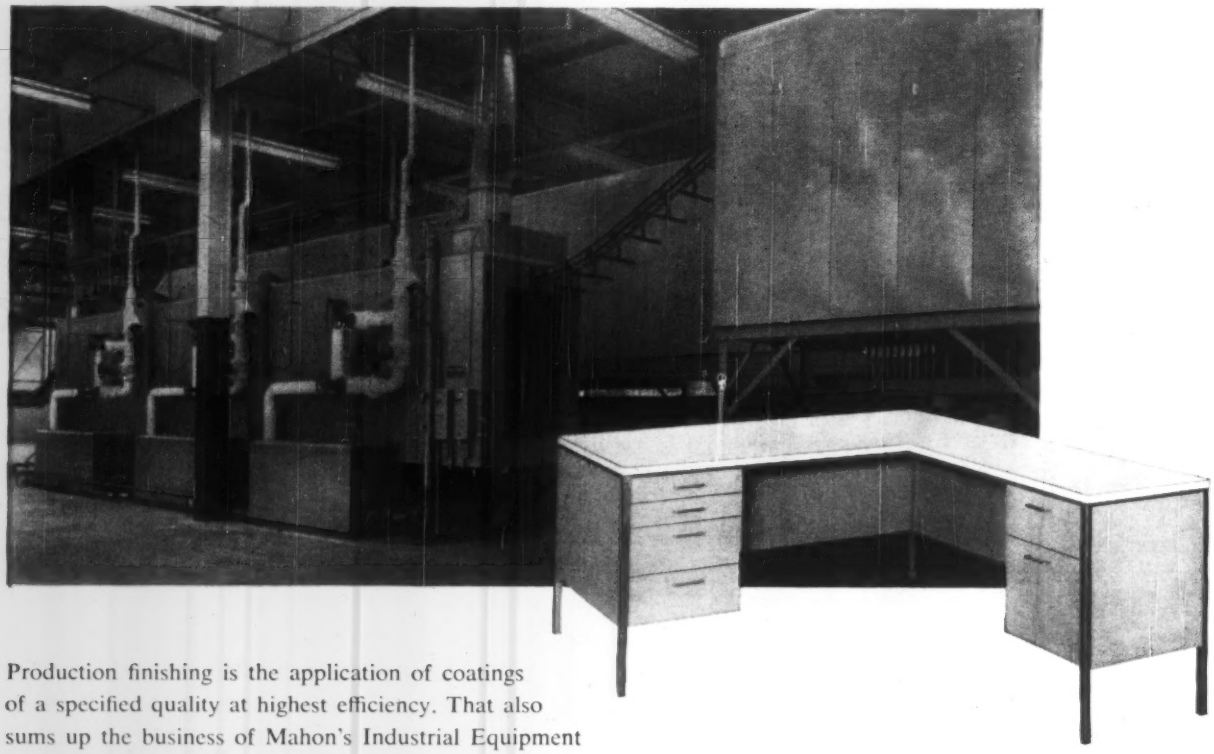
on finishing equipment —IT'S MAHON

Quality metal products deserve 'the finishing touch' of Mahon. Another example: fine office furniture from General Fireproofing.

Shown below: GF's new 1000 Series desk, part of a striking new, functionally designed line of business furniture. In background: A stage of the complete GF finishing system designed and built by Mahon.



Production finishing is the application of coatings of a specified quality at highest efficiency. That also sums up the business of Mahon's Industrial Equipment Division and they have learned it well . . . for over forty years . . . in hundreds of installations . . . for all types of finishing. Mahon metal-cleaning and metal-finishing systems will prove your best investment regardless of initial cost. In this highly specialized, multi-process area, can you afford less than the best for your quality products? Find out how Mahon's 'finishing touch' can improve your products . . . your costs . . . your sales. Call in Mahon.

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Letters to the Editor

"Big Boys"—and Small

To the Editor: We are small paint specialty distributors, and although the companies mentioned in "Keying Sales Calls to Profits" (November) are large and in different classifications from us, our problems are much the same. We too have found that having our salesmen make fewer calls, and spending more time with potentially higher accounts, pays off.

I appreciate that your magazine is primarily for the "big boys," but I imagine there are a lot of smaller companies that would like more articles like "Keying Sales Calls."

H. A. SHARP
President
Sharp Bros., Inc.
Detroit, Mich.

Up, Up, and Up

To the Editor: We were pleased with the story about our Class A Dealer Program in the November "Ideas at Work." We do wish, however, to note that the figures quoted in the first paragraph were accurate when the program was initiated, but that at present Filon Plastics Corp. is doing some *$7 million* worth of business through *more than 200* independent distributors serving some *20,000* lumber and building materials dealers. We take quite a bit of pride in this rapid growth.

RENE MERLANDER
Dealer Program Coordinator
Filon Plastics Corp.
Hawthorne, Calif.

Dissenting Voices

To the Editor: The November "Managing Your Manpower" is very misleading, since it implies the gap in wages between free Europe and the U. S. is narrowing. It covers up a drastic situation.

Even if we could remain with a 5 per cent annual increase in our wages, and Europe continued with an 8 per cent increase (which is unlikely), our generation would never see the wage gap close. The power of our labor, as reflected in our Government, is much greater than any in Europe. In addition, our Democratic Party, according to its platform, wishes to outlaw "right-to-work" laws, which Europe does not intend to do.

If we admit to what is happening, we may survive. But tranquilizers such as yours may be our doom.

CHARLES SCHNEIDER
President
LEON SUMMER
Vice-President
Charles Schneider & Company, Inc.
Council Bluffs, Iowa

A Gentle Hint

To the Editor: I was very much impressed by "The Myth of Retirement," by Clarence B. Randall (December). I would like to send reprints of it to all the members of our Board of Directors, as it makes a most convincing case that full-time officers and executives must retire at 65 and that directors should also face some compulsory age limit.

PRESIDENT'S NAME WITHHELD

The Obvious Explanation

To the Editor: Why is it economists always explain the pulsations of our economy (see "Washington Business Front," November) in terms of slide-rule calculations, Federal Reserve policies, and the tortuous principles of "macroeconomics"? Surely any alert business man is aware of the simple, practical reason for the downward "adjustment" in inventories. 1960 saw a massive application of computers to production and inventory control, and it has revolutionized order processing, even for smaller manufacturers. The cutback in inventories came because computers made it possible.

Too simple an explanation? Perhaps —but I doubt it.

FREDERICK J. EDWARDS
Creve Coeur, Mo.

Not too simple for some economists. Those quoted in July's "Washington Business Front," as well as DUN & BRADSTREET'S *Economics Department ("Trend of Business," August), have called attention to computers' effects on inventory levels.* —ED.

a business proposal

to all companies using 10 or more business cars

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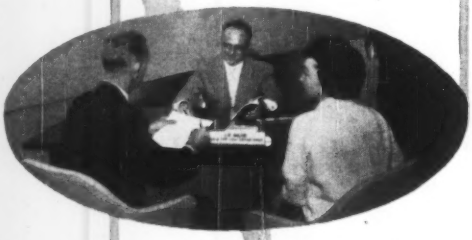

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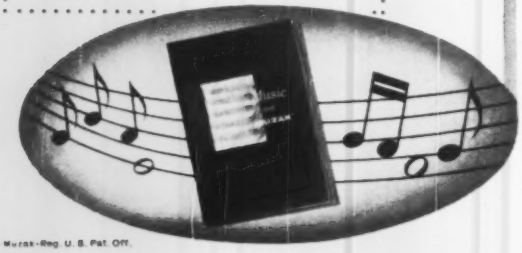

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The Trend of BUSINESS

PRODUCTION: *Dipping through early spring*
CONSTRUCTION: *Totals affected by housing*
SALES: *Little retail bounce in near future*
FAILURES: *1960 number and liabilities hit postwar high*

IN THE EARLY WEEKS of 1961, over-all business activity slowed even more and there is little chance that any signs of a turnabout will appear before the second quarter. When the pickup does get started, it will be gradual, with the most appreciable gains likely during the last three months of the year.

Consumer spending will show little bounce in the months immediately ahead. Business spending on inventories and new plant and equipment will extend the declines begun in 1960. A further dip in physical production through the end of the current quarter will result, as well as a slight decrease in Gross National Product, the total output of goods and services.

Industrial production will hit the low point of its current decline in April or May, with a drop of about 10 per cent from the pre-recession peak.

The cutback of total industrial output during the next three or four months will reflect reduced operating schedules in plants turning out major appliances, automobiles, machinery, and most other durable goods. Steel products will be the exception: They're expected either to remain at current levels or to show a modest increase.

When the Federal Reserve Board's seasonally adjusted Index of Industrial Production hits its low point for the year late this spring, it will read about 100 (1957=100), down 10 per cent from the all-time high of 111 set in January 1960.

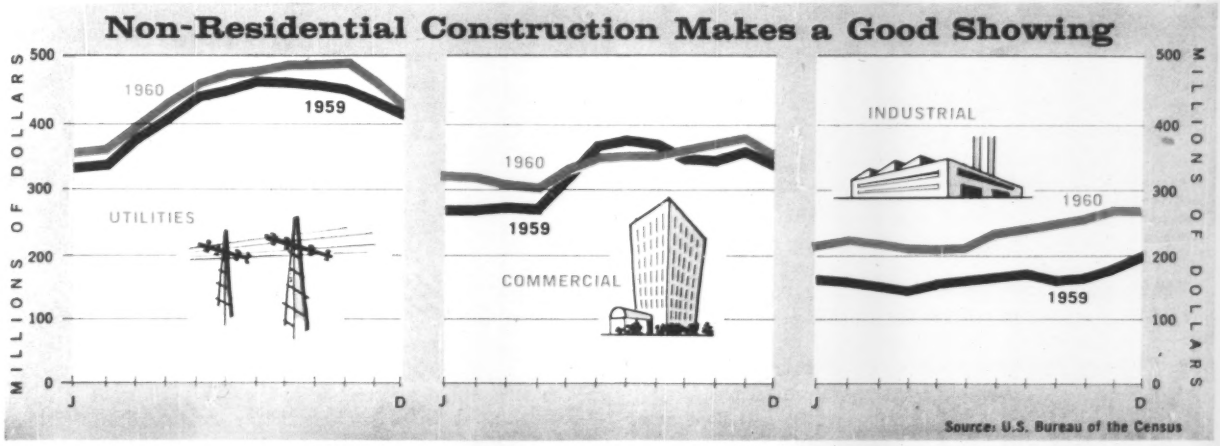
Further—but more moderate—production cuts are in store for apparel, textiles, and some other non-durable goods. Along with those in most durables, these dips will offset any gains in utilities, food processing, and farm equipment.

Stocks of crude oil and petroleum products are now more nearly in balance with sales than they've been for some time, and production will be edging up in the coming months. New orders for lumber and paperboard, however, are still dragging, so expect more year-to-year dips in output in these industries.

Since the sluggishness in industrial activity will inevitably affect freight car loadings, year-to-year declines there will remain noticeable until production picks up.

There'll be modest increases in steel output during the months ahead as new orders improve.

Orders from two good customers—the appliance and auto manufacturers—will continue to lag in the coming months, but bookings from the construction industry, can makers, and many small users of steel will help over-all orders edge up slowly. And this improvement will gain a little momentum in the second quarter, though no significant rise is in the



SPENDING FOR *private non-residential construction has been running over year-earlier levels in recent months, in contrast to year-to-year declines in private residential building and farm construction.*

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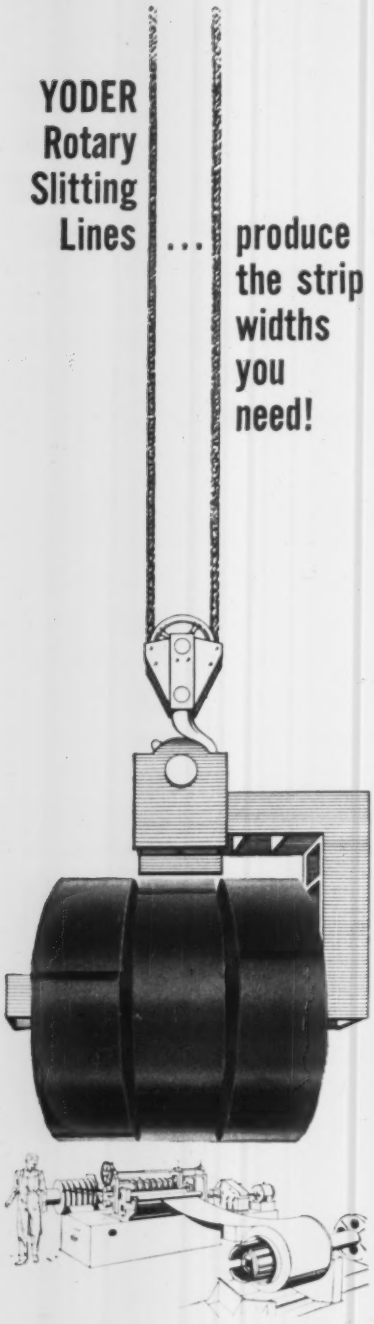

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cards until the last quarter of the year.

It's unlikely, however, that the steel export market will contribute much to the industry's activity, since the recent boom in business in Western Europe will probably lose steam during the rest of 1961.

All of this adds up to a slow climb in steel production, with output still sharply below early 1960.

Dealers' stocks are high and that means a dip in auto output through early spring.

Current car sales are good—but not quite good enough to take care of the 1960 output, the second highest on record. Auto stocks are still swollen, and manufacturers are planning to slow output through the end of the first quarter. Unless there is an unusually strong spring upsurge in sales, production in the second quarter is unlikely to stage much of a comeback.

On the bright side, it looks now as if imports of foreign models will continue to decline as exports, especially of the compacts, rise.

Inventories will keep on sinking right through late spring, especially in finished goods and at the retail level.

Durable goods will see the most liquidation of stock, but cuts will also become more obvious in non-durables than they have been in recent months. Although at all levels stocks are currently lower in relation to sales than they were at the comparable point in the 1957-58 recession, business men today seem a little less fearful of future price increases in most commodities. Also, many feel they can get supplies more quickly because of the excess capacity in many lines of production.

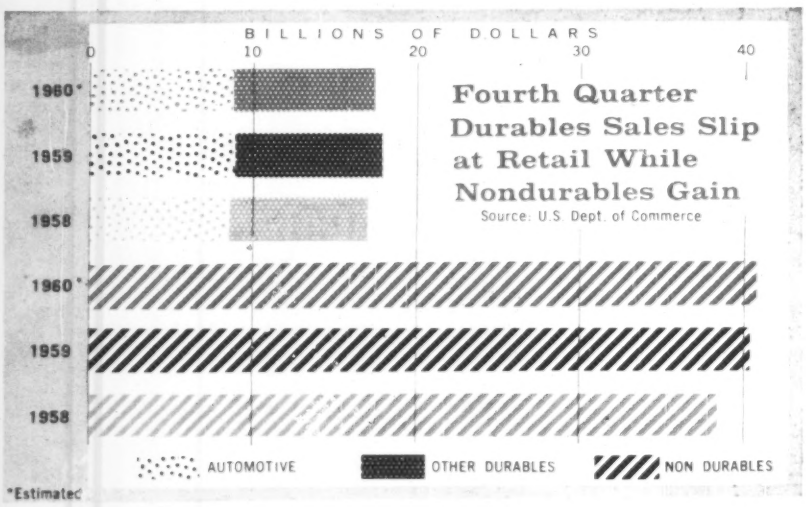
The level at which business men keep their inventories and the timing—and size—of their new orders for manufactured goods depend to a large extent on retail trade. Although a late buying splurge saved the day at Christmas, and retail sales in the early weeks of 1961 have held up pretty well, dollar volume through early spring will hover around year-earlier levels. The lack of any significant gains will be caused by the relatively high levels of unemployment and shoppers' recession fears.

But it is encouraging to note that at this stage in the 1957-58 downturn, there was a steady erosion of consumers' inclination to buy—whereas a survey conducted in October and November by the Survey Research Center of the University of Michigan indicates that this time consumer attitudes haven't changed since the preceding May, when a similar survey was made.

The big weakness in retail trade in the months ahead will continue to show in household durables, especially big-ticket appliances. This, along with any drop in auto sales, could easily mean some declines in consumer instalment credit outstanding.

Lagging industrial output and the continuing growth of the labor force will bring higher levels of unemployment late this winter.

As a percentage of the labor force,



A LATE PRE-CHRISTMAS SURGE *in consumer buying of soft goods made up for the lack of interest in household durables. Total retail trade hit a record in 1960.*

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Feld Car & Truck Leasing, Kansas City
Motor Transportation Co., St. Louis
Rubert Truck Leasing Co., Springfield

NEBRASKA
Himarco Truck Leasing, Omaha

NORTH DAKOTA
Wallwork Lease & Rental Co., Fargo

OHIO
Acme Truck Leasing, Mansfield, Marion
Lima T. & S. Co., Lima
Motorlease, Inc., Youngstown
Penntruck Company, Columbus
Street & Highway Transportation Service, Cincinnati
Tri-Val Lease, Inc., Dover
Trucklease, Inc., Cleveland, Toledo

OKLAHOMA
Tulsa Auto Rental, Tulsa

TENNESSEE
Carl Carson Co., Memphis
Cherokee Distributing Co., Kingsport

TEXAS
American Truck Rental, Fort Worth, Port Arthur
Dallas Leasing Co., Dallas
Galveston Fleet Service, Galveston, Beaumont
Mission Motor Lease Co., San Antonio
Resler Truck Leasing, El Paso
Saunders Drive It Yourself, Houston

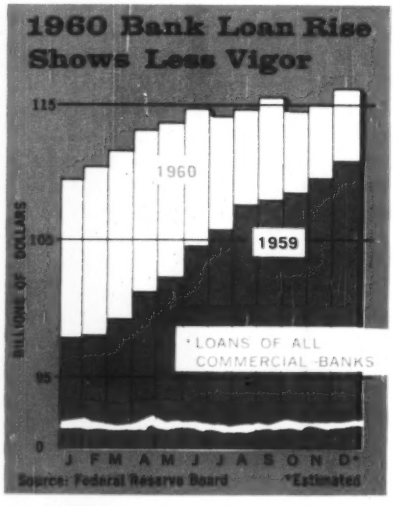
WISCONSIN
Bay Rental Service, Green Bay
Valley Leasing Co., Appleton, Wausau
Yellow Truck Rental Service, Milwaukee

CANADA
Security Truck U Drive, Winnipeg, Man.
Pollock Truck Leasing Co., Strathroy, Ont.

Write for a complete listing of NATIONALEASE affiliates showing additional affiliates supplying leasing service throughout the rest of the United States and Canada.

the number of jobless will climb to nearly 8 per cent before any decrease occurs. This will mean some moderate declines in total personal income, despite salary gains for nonmanufacturing employees and higher unemployment insurance payments.

Manufacturers' drooping sales and high operating costs, especially employment costs, will cut into profit margins at least through midyear. This, plus the excess capacity in industry, will lead to further cutbacks in business spending on new plant and equipment through the first six months. At the moment, however, it seems unlikely that the total decline from the peak in the second quarter



GAINS FROM *year-ago bank loan levels narrowed late in 1960 after business men cut back outlays for stock and expansion.*

of 1960 will be as sharp as the drop during the 1957-58 downturn.

This means, of course, that industrial construction will fall off. But commercial building, as well as public construction of schools, highways, hospitals and water systems, will rise.

Over-all construction totals won't get much of a boost from private residential construction. Housing starts may well show some slight gains this spring, but no solid increases are likely until quite a bit later in the year.

END

This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., by John W. Riday.

For the business man who refuses to stagnate

HALF the world is half asleep! Men who could be making *twice* their present salaries are coasting along, hoping for promotions but doing nothing to bring themselves forcefully to the attention of management.

They're *wasting* the most fruitful years of their business lives . . . throwing away thousands of dollars they may never be able to make up. And, oddly enough, they don't realize—even remotely—the tragic consequences of their failure to forge ahead while time is still on their side.

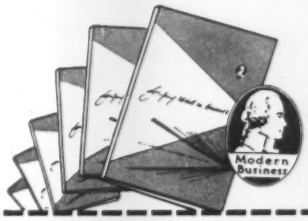
These are the men who are unknowingly headed for the frustrations and the disappointments of mediocrity. They'll go part way up the ladder and down again by the time they're fifty years old. They'll be executive material in their twenties and thirties—and clerks in their fifties. They'll have high hopes for themselves and their families while they're young; but only struggling, skimping and regret later on when their earning power should be at its height.

Send for Your Free Copy of "Forging Ahead in Business"

If you want to discover how to succeed while you are still young—if you want to avoid the heartbreak of failure in later years—send today for "*Forging Ahead in Business*" . . . one of the most practical and realistic booklets ever written on the problems of personal advancement.

Here you will find—not a "pep talk," not an academic lecture—but cold, hard *facts* on how to improve your position and increase your income. You will be told what the qualifications of an executive are in today's competitive market . . . what you must *know* to make $15,000, $20,000 or more a year . . . what you must *do* to accumulate this knowledge.

"Forging Ahead in Business" was written for mature, ambitious men who seriously want to get down to bed-rock in their thinking about their business future. If you feel it is meant for you, simply fill in and return this coupon. Your complimentary copy will be mailed to you promptly.



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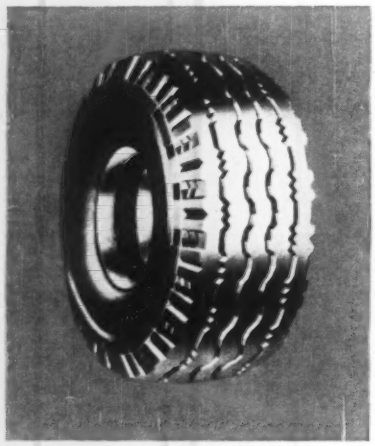


Cis-4*, Phillips new synthetic rubber, is used by tire makers as a superior replacement for much natural rubber in blends for heavy-duty tire treads.

"We have searched for years for a synthetic rubber that would perform as well or better than natural without sacrificing the low heat build-up of natural. It looks like Cis-4 does the trick."

This statement by a leading rubber company executive dramatizes the tremendous commercial significance of Phillips newest achievement in the petrochemical field.

Tires with treads made from blends of Phillips new Cis-4 and natural rubber have bested those of 100% natural rubber in tests totaling millions of miles. They have shown high resilience, low heat build-up, very long wear and high resistance to abrasion, aging, and blowout. Cis-4 will replace large amounts of natural rubber in tire treads, especially for heavy duty truck and bus tires.

Phillips new Cis-4 plant at Borger, Texas, immediately adjacent to the company's other synthetic rubber facilities, has an annual capacity of 25,000 long tons. Cis-4 is made wholly of butadiene, also manufactured by Phillips from the company's own basic raw materials.

Cis-4, along with "cold" synthetic rubber, and furnace oil carbon blacks are links in a long chain of Phillips rubber developments reaching back before World War II. The latter two enabled synthetic to replace natural in a large portion of the postwar market. Now Cis-4 will replace more natural.

Cis-4 again exemplifies how a policy of "looking ahead" through aggressive research and prudent acquisition of crude oil and natural gas reserves has placed Phillips in a favorable position for continuing growth and earnings.

Today Phillips leads the petroleum industry as (1) producer of natural gas liquids, most versatile of hydrocarbons; (2) seller of natural gas; (3) producer-marketer of liquefied petroleum gas; (4) manufacturer of nitrogen fertilizers; (5) supplier of raw materials to the rubber industry; and (6) in atomic energy activities.

This is *in addition* to Phillips important business of manufacturing and distributing automotive fuels, lubricants and accessories through more than 21,000 marketing outlets in 38 states.

*A trademark

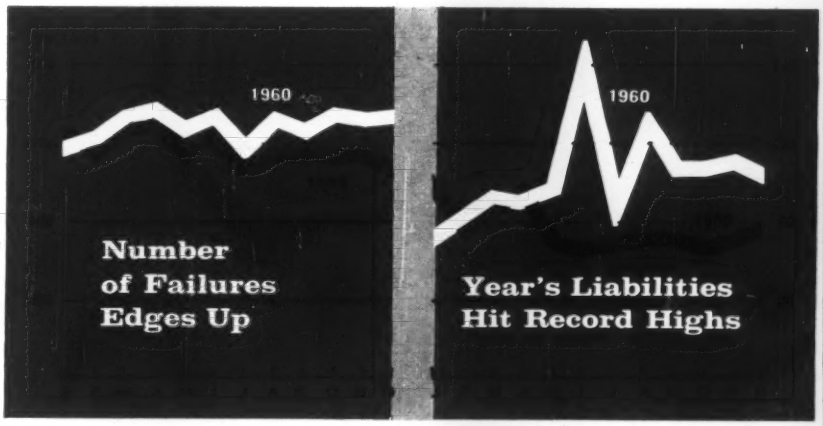
PHILLIPS PETROLEUM COMPANY, Bartlesville, Oklahoma

PHILLIPS 66

Business Failures

Casualty rate most severe since war

Only two regions unaffected



BUSINESS FAILURES, climbing through most of 1960, reached new postwar highs in both number of concerns and dollar liabilities. Casualties increased in all functions, in all sizes above $5,000, and in all except one of the major geographic regions. But the strongest upsurges occurred in the construction industry and among companies carrying liabilities of $100,000 or more.

The toll for the year stood at 15,445, 10 per cent higher than in 1959 and slightly above the previous peak of 14,964 recorded in 1958. Businesses were failing at a rate of 57 per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*—the most severe rate in the postwar period, although it's below the 1938-1940 level and far short of 1933's rate of 100 per 10,000.

Major casualties, increasing sharply in 1960, lifted total dollar liabilities to $938.6 million, a volume 35 per cent above the previous year. In all functions save retailing, and in all geographic regions, losses bulked considerably larger than in 1959.

Construction failures mounted 26 per cent, in contrast to the mild 6-to-8-per cent increases in other functions. General builders failed appreciably more often than subcontractors, although a few lines in that group, notably electrical and excavating contractors, suffered a marked rise.

Manufacturing and retailing casualties ran above their 1959 levels, but neither had as many as in the 1958 recession. In comparison to 1959, fewer businesses failed in two manufacturing industries—food, and stone, clay, and glass. Three retail

continued on page 14

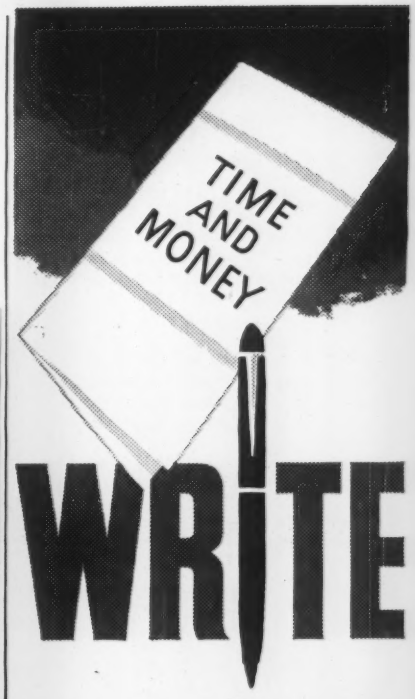
THE FAILURE RECORD

	Dec. 1960	Year 1960	Year 1959	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted	58.3	57.0	51.8	+10
Adjusted, seasonally	63.4	—	—	—
NUMBER OF FAILURES	1353	15445	14053	+10
NUMBER BY SIZE OF DEBT				
Under $5,000	141	1688	1841	—8
$5,000—$25,000	568	6884	6664	+3
$25,000—$100,000	497	5078	4202	+21
Over $100,000	147	1795	1346	+33
NUMBER BY INDUSTRY GROUPS				
Manufacturing	231	2612	2465	+6
Wholesale trade	130	1473	1387	+6
Retail trade	637	7386	6873	+7
Construction	245	2607	2064	+26
Commercial service	110	1367	1264	+8
LIABILITIES (*in thousands*)				
CURRENT	$78971	$938630	$692808	+35
TOTAL	79252	951329	699431	+36

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Per cent change, Year 1960 from Year 1959.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.



us about LEASING

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For your free copy—prepared by one of America's largest leasing organizations and a leader in Custom Programming for fleets of all sizes—write: Auto Fleet Leasing, Inc., Commercial Credit Building, Baltimore 2, Maryland.

AUTO FLEET LEASING, INC.

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Resources over 2 billion dollars

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The degree of cleanliness achieved by new Columbia Plastisol Spirit Ready-Masters was but a few years ago only a laboratory dream and a typist's hope.

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BY Columbia

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Columbia Ribbon & Carbon Pacific, Inc., Duarte, Calif.

trades—food, general merchandise, and apparel—also showed a drop.

Manufacturing mortality, on the other hand, rose over 20 per cent from what it was a year ago in printing and publishing, iron and steel, and transportation equipment. In retailing, upturns exceeded 30 per cent among auto dealers, house furnishings stores, drug stores, and filling stations.

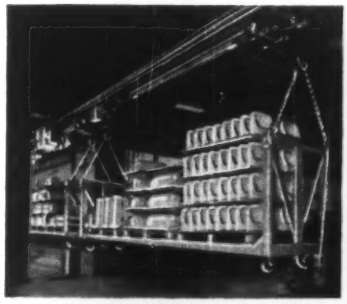
New England was the only region reporting lower business mortality in 1960, and in the Middle Atlantic States, the advance was a slight 1 per cent. Neither of these areas suffered as many casualties as in 1958. New postwar records, however, were set in other regions. South Atlantic failures climbed most sharply, with marked upswings in Florida and Georgia, followed closely by the East South Central and Mountain States, where Tennessee, Kentucky, and Arizona chiefly accounted for the heavier tolls. Most of the year's rise all over the nation was concentrated in nonmetropolitan districts.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total (Twelve Months)		Liabilities in million $ (Twelve Months)	
	1960	1959	1960	1959
MINING, MANUFACTURING. .	2612	2465	289.6	207.8
Mining—coal, oil, misc. .	98	91	19.7	8.4
Food and kindred products	173	176	31.3	14.3
Textile products, apparel.	435	420	36.4	24.1
Lumber, lumber products.	520	503	38.3	24.6
Paper, printing, publishing	200	164	12.1	8.9
Chemicals, allied products	63	62	5.7	4.6
Leather, leather products.	82	72	12.8	6.7
Stone, clay, glass products.	44	48	4.0	4.1
Iron, steel, products.	167	136	27.0	15.1
Machinery	289	254	44.7	43.0
Transportation equipment	133	108	16.9	9.5
Miscellaneous.	408	431	40.9	44.4
WHOLESALE TRADE	1473	1387	107.2	82.2
Food and farm products. .	321	290	29.3	22.6
Apparel.	46	42	3.5	1.7
Drygoods.	35	42	1.4	2.0
Lumber, bldg. mats., hdwre	184	153	14.0	10.2
Chemicals and drugs	45	60	1.6	1.7
Motor vehicles, equipment	116	74	7.4	3.3
Miscellaneous.	726	726	49.9	40.7
RETAIL TRADE	7386	6873	241.1	226.8
Food and liquor	1059	1113	28.6	30.0
General merchandise	255	281	12.8	16.2
Apparel and accessories. .	978	1011	25.8	38.8
Furniture, furnishings . . .	968	816	38.8	35.9
Lumber, bldg. mats., hdwre	487	453	20.1	15.1
Automotive group	1338	1015	49.9	26.9
Eating, drinking places . . .	1426	1334	41.6	35.5
Drug stores	166	122	5.8	3.1
Miscellaneous.	709	728	17.7	25.3
CONSTRUCTION.	2607	2064	201.4	121.9
General bldg. contractors.	1020	749	110.7	66.1
Building subcontractors. .	1419	1159	74.2	42.5
Other contractors	168	156	16.5	13.3
COMMERCIAL SERVICE	1367	1264	99.4	54.2
TOTAL UNITED STATES	15445	14053	938.6	692.8

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.



UPPER LEFT . . . Loaded train moves through doors that have automatically opened, and commences trip over 1400 feet of Monorail track.

Louden Monorail Interplant Transport System operates trouble free the year around. Three carriers make up train that travels completely unattended from storage area in one building to shipping area in another. Smooth operation of Monorail insures safe transportation of chinaware between plants.

LOWER RIGHT . . . Forklift trucks quickly unload train after it automatically stops at its destination. Carriers may be lowered and raised independently for greater handling ease.

CUT COSTS WITH MONORAIL INTERPLANT TRANSPORT

Companies grow, production facilities expand and interplant handling of materials, parts, semi-finished and finished products become complicated and costly. Time and again a Louden Monorail Interplant Transport System has proved to be the perfect answer. And with Louden's Selectomatic Control, transport is automatic.

A good example is The Louden Selectomatic Interplant Transport System at the Eljer Company, Division of The Murray Corporation, Ford City, Pennsylvania. Recently, to increase plant production, another plant was built similar to the original plant. Shipping and docking facilities for both plants were retained in the original building, only the storage area was incorporated in the second. Therefore, it became necessary to get stock from the second plant to the shipping dock in the first plant. 1400 feet of Louden Monorail with three steel carriers provide the perfect answer. The Louden MotoVeyor pulls or pushes the carriers, opens and shuts doors and automatically stops at its destination . . . transport is speedy, trouble-free—regardless of the weather or road conditions, and completely unattended.

A Louden Selectomatic Transport System can do many things not required in the Eljer Company installation. It can automatically transport materials unattended from point to point anywhere in or about your plant, and can select the shortest and most direct route, opening and closing switches to its destination. It can travel from floor to floor and building to building, open doors to let itself through and close doors behind it. It stops promptly when there is a load ahead or when it does not have the right of way, and resumes travel when the way is clear. It stops accurately at its destination and even loads and unloads its own carriers with certain classes of materials. It returns empty carriers to point of origin or places itself in storage awaiting the next call.

Louden Automatic Materials Handling is the guaranteed product of the pioneers and oldest company in the field of specialized monorail handling. Both the Louden field representatives and the factory engineers are highly trained specialists in the field of overhead materials handling. When you have materials requiring handling, lifting or transporting, call on Louden for suggestions. This will cost you nothing but may prove to be the most profitable move you have ever made.

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NEW **. . . 52 pages of illustrated applications . . . industry by industry. Get the latest and most complete information on planning and equipment selection for the best in modern materials handling. Write today for your copy "COST-CUTTING WITH MONORAIL AND CRANES."**

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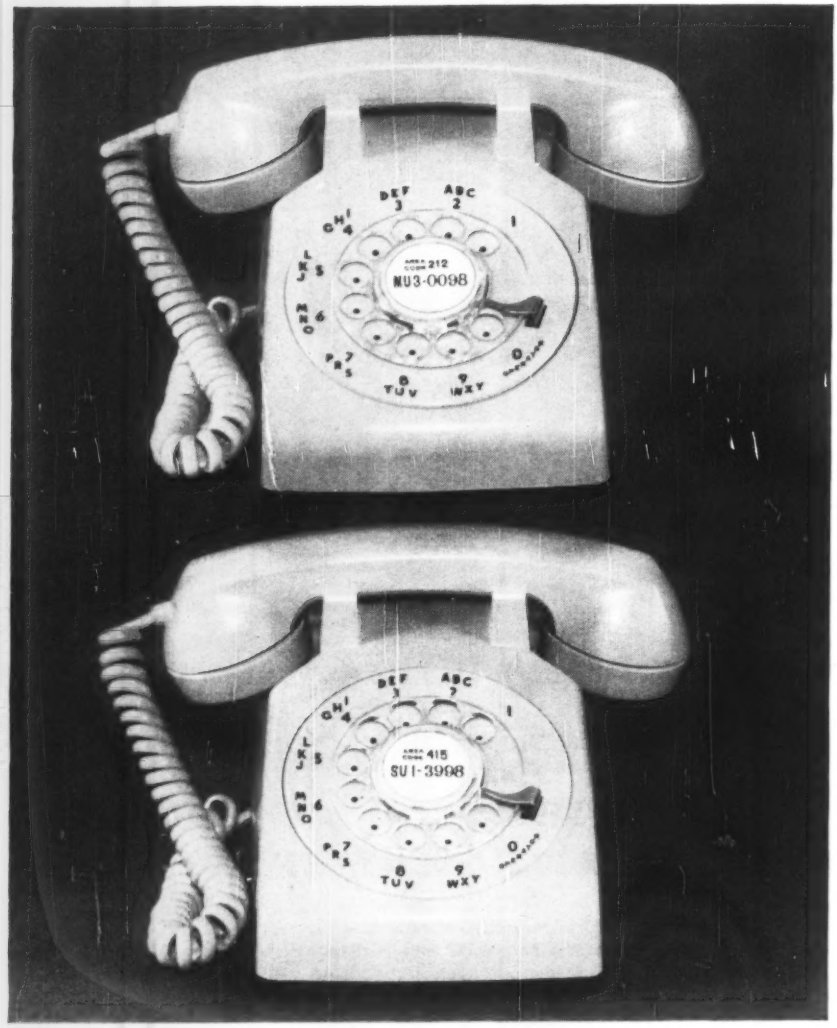
SINCE 1867 . . . THE FIRST NAME IN MATERIALS HANDLING



Western Electric
MANUFACTURING AND SUPPLY UNIT
OF THE BELL SYSTEM

What's the difference between these telephones?

Answer: 3000 miles.

The area code for New York is "212"...and anyone dialing San Francisco directly, would use code "415."

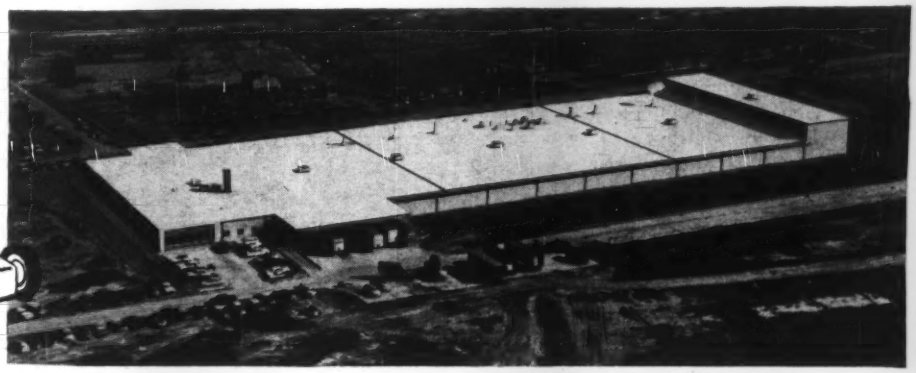
The difference in miles, however, can be eliminated with the twirl of a telephone dial. Because in between is an incredibly versatile communications network . . . the integrated Bell Telephone System.

It takes a lot of things to be able to wipe out those miles in a matter of seconds. For example, millions of miles of wire and cable, countless switching units, electron tubes, and thousands of other items, including telephones themselves. Most of these things were developed by Bell Telephone Laboratories and manufactured for the Bell Telephone System by Western Electric. And Western Electric makes each part to work perfectly with every other part *wherever* it may be, *whenever* it was put into the System. Example: today's new Data-Phone converts information into "bits" for transmission at the rate of 1200 per second, but it works harmoniously with all Bell telephone equipment.

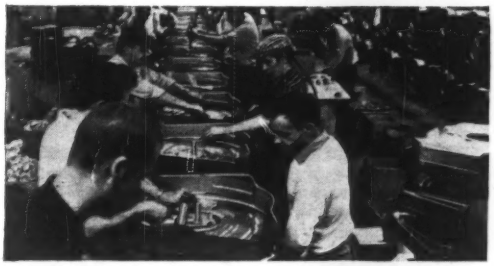
Providing complete, up-to-date, nation-wide communications takes a special team: Bell Laboratories, the Bell System's research and development unit; Western Electric, the System's source of high-quality, uniform equipment; and the Bell telephone companies, which provide service.

Together, this three-part team shares a common aim: to bring versatile telephone service at the lowest possible cost to everyone.

GEMCO® finds "Ideal Location" in VIRGINIA!



Plant was built in 1959 to Gemco specifications by Norfolk Port Authority . . . leased to Gemco for 25 years. It contains 112,000 sq. ft.; is on a 13-acre tract in Norfolk Industrial Park.



Gemco started with 150 employees in its Virginia plant, now employs 385 at peak production. Officials praise the dependability and productivity of Virginians.

Virginia's ice-free ports permit economical shipment of Gemco products overseas and to the West Coast. Railway and modern highways provide excellent domestic distribution.

At its former location, General Mower Corporation had a $12,000,000 annual volume. In January, 1960, Gemco moved to Virginia — and in a year or so expects to be doing $20,000,000 a year.

Citing reasons for the company's move, Executive Vice President, Louis H. Faxstein, emphasized, "the ideal location of Norfolk" and "the complete cooperation of business and civic leaders in Virginia." One of the nation's largest manufacturers of power mowers and garden equipment, Gemco also manufactures garden tractors, steel shelving, steel houses and garages, door and window canopies — and is constantly adding new products. The company looks forward to fast-rising volume and sound profits . . . in Virginia.

Find out more about the production advantages of Virginia. In confidence, phone, wire or write . . .

C. M. NICHOLSON, Jr., Commissioner
Division of Industrial Development and Planning
Virginia Dept. of Conservation and Economic Development
Room 810- DR State Office Bldg., Richmond 19, Va.
Phone: MIlton 4-4111, Ext. 2255

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— assures lower costs. Wheels national facilities provide highest return on used cars and trucks.

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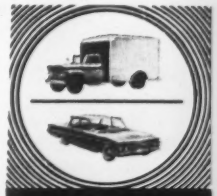

WHEELS int.

ONE OF FOUR OFFICES at "Brown" before modernization. Note crowded arrangement; lack of work space; cluttered, inefficient atmosphere.

• • •

SAME OFFICE "AFTER"—Each employee gained 60% more work surface, 30% more drawer space, 20% more work output.

An Easy Way to Reduce Office Costs

TITLE FIRM SAVED SPACE AND BOOSTED EFFICIENCY WITH MODERN FURNISHINGS AND BETTER LAYOUT

Indianapolis, Ind.—L. M. Brown Title Company gained needed space for larger work stations and more of them by combining modern furnishings and new office layout.

Shaw-Walker space-saver equipment, geared to every job function, *freed space* for the addition of four badly needed work stations, and point-of-use files at ten more stations.

The modernization paid another dividend—*efficiency increased 20%*, and morale reached an all-time high.

A new layout by Shaw-Walker's Paul Holcomb in collaboration with L. M. Brown's Executive V. P. Sullivan *organized the work flow* by relating work stations to activities performed. The improved layout *reduced employee travel by half* and entirely eliminated distracting interruptions caused by customer traffic.

Clutter-Proof Expan-Desks give staff members more work surface (*average increase, 50%*) and provide extra drawers for storage and filing—all within quarter-turn reach.

Management offices were equipped with Carlyle—the desk Shaw-Walker designed for working executives. Carlyle's energy-saving conveniences provide specific in-drawer space for everything needed in, on, or around the executive's desk.

It's easy to see for yourself how Shaw-Walker can help you effect similar economies. The complete, 5000-item Shaw-Walker line is pictured, described, and priced in our new 248-page Office Guide catalog—ideas and equipment to save time, save space, and cut office costs. Free to office executives. Request on business letterhead, or phone your Shaw-Walker representative.

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WASHINGTON Business Front

JOSEPH R. SLEVIN

WASHINGTON, D.C.—The American people like to think of themselves as free and independent spirits, but just about every American gets a subsidy of one sort or another from the Federal Government. Business men and farmers are the chief beneficiaries, and like most Americans, they hate to admit they are subsidized. They will kick, scream, bite, and scratch to get Government help. They will form powerful trade associations and hire high-priced lobbyists to pressure subsidy legislation through Congress. But they object bitterly to any suggestion that they actually want or receive a subsidy. It's the kind of word that people get emotional about. They think that getting a subsidy implies that they can't stand on their own two feet, an implication no self-styled believer in the free, competitive enterprise system will accept without argument.

The staff of the Congressional Joint Economic Committee recently completed an elaborate study of Federal Government subsidy programs, and it bent over backwards to keep from offending any of the more sensitive subsidy-takers among the committee members' constituents.

Delicate definitions

As a matter of fact, the staff experts gave the committee their findings only after devoting six full printed pages to defining a "subsidy." They began with Webster's "New International Dictionary of the English Language," tried on the phrases of several private economists for size, mused over the definitions used by the General Accounting Office and the Budget Bureau, and finally decided to work out their own descriptive language.

The Joint Economic Committee staff says: "A subsidy is an act by governmental unit involving either (1) a payment, (2) a remission of charges, or (3) supplying commodities or services at less than cost or market price, with the intent of achieving a particular economic objective, most usually supplying to a general market a product or service which would be supplied in as great quantity only at a higher price in the absence of the payment or remission of charges. Government loans made at lower than market rates of interest or at rates below the cost of funds to the Government, and Government insurance provided at lower than private insurance premium rates, may also appropriately be considered as subsidies. . . .

"One type of benefit that may have a subsidy element but often is not classed as a subsidy is differential tax treatment for particular categories of persons or groups, such as minerals producers, corporations installing certain defense facilities, cooperatives, or producers of goods protected from foreign competition by tariffs."

When the staff tested Government programs against its definition, it ended up with a list of subsidy measures that covers seven printed pages and ranges from school lunches to buying minerals for the national stockpile. The staff said it's impossible to make a precise estimate of the cost of the Federal subsidies. A Budget Bureau breakdown that includes some, but not all, of the subsidy programs indicates that they cost $7.460 billion last year.

Back in 1950, the Federal Government paid out only $1.9 billion to finance its subsidy operations, but the programs haven't been growing as rapidly as the jump in spending would suggest. The Government runs more programs now than it sponsored ten years ago, and they are more expensive. But the largest single cause of the increase in costs has been a sharp upsurge in the amount that the Government spends to subsidize agriculture. It paid out almost $5 billion more to subsidize farmers last year than in 1950.

The cost of business subsidies rose slightly more than 50 per cent over the same span, climbing to $1.352 billion from $809 million. The juiciest business subsidies come from the Post Office Department, which provided $525 million of direct financial aid to American business last year. Newspaper and magazine publishers—and their advertisers—were prime beneficiaries. So were companies that ship merchandise by parcel post. Subsidies to air carriers cost $60 million, while subsidies to steamship lines cost $165 million.

Buried in euphemisms

Perhaps the best insight into the reluctance of American citizens to acknowledge that they receive subsidies comes from leafing through the

☆ *Subsidies: Everybody shies away from the word—but not from the money.*

☆ *Prices are creeping up, though not enough to cause alarm.*

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annual appropriation bills. Only one has the word "subsidy" in its title—the maritime ship operating-differential subsidies measure. A check through the budget indices of the past eight years yields only one program that is forthrightly listed under "Subsidies." Again, it is the program of grants to the steamship lines: "operating-differential subsidies, maritime activities, (Commerce)."

The purpose of the operating-differential subsidy is to compensate American steamship companies for paying higher operating costs than foreign lines have to meet. Last year, fourteen steamship companies operated 310 ships under subsidy agreements with the Government. The biggest beneficiary was United States Lines Company, which had 56 vessels covered by Government subsidy contracts.

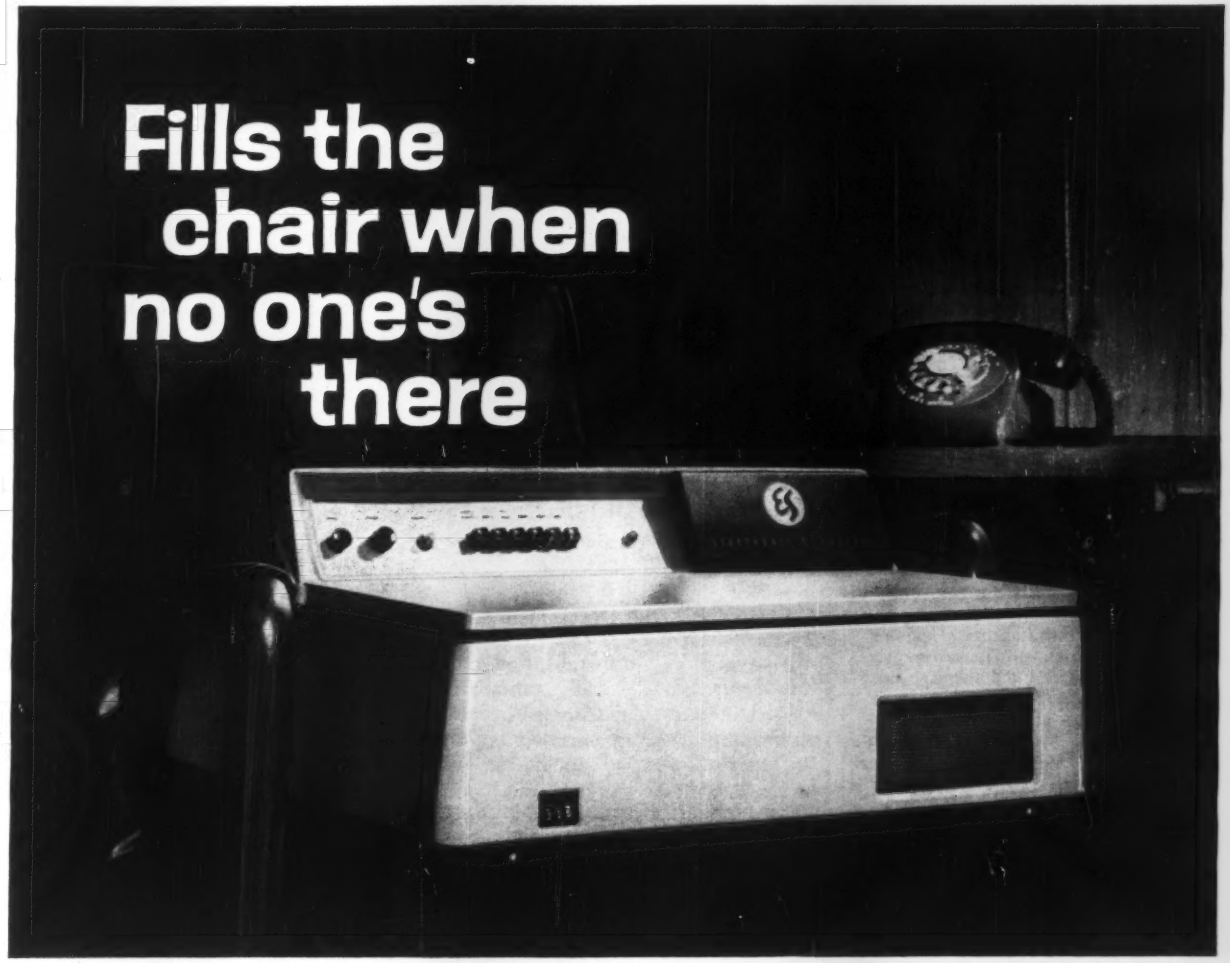
The Government also pays construction-differential subsidies to offset the stiffer costs that a company incurs by building a ship in an American instead of a foreign yard. A raft of other maritime aid programs include insuring privately financed ship mortgages, providing direct Government mortgage financing, and requiring that half of all Government-financed export cargoes must be carried in U.S. bottoms.

Launched early

The shipping industry got off to a sailing start, for it obtained its first subsidies from the Government in 1789 and no one could have got in any sooner. The first tariff act was passed then, providing for a 10 per cent cut in import duties on all goods brought to the United States in American ships. The first outright subsidy went to the shipping industry, too. It was voted in 1845 when Congress authorized mail subsidies.

Perhaps the largest single subsidized group of American citizens is composed of homebuyers who purchase houses with mortgages guaranteed by the Veterans Administration or insured by the Federal Housing Administration. The same Government protection subsidizes the builders and the mortgage bankers.

Railroads have 183 million acres of land they received from the Federal and State Governments. Truckers have the use of roads they don't begin to finance through their tax payments. Airlines have their historic mail pay and the continuing benefit of



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large Federal payments for airports and airways. A vast number of American corporations were given the privilege of rapid amortization on $23.3 billion of new industrial facilities built under the special tax write-off program that was on the books from November 1, 1950 to December 31, 1959.

Small business receives a number of special benefits, notably loans at lower interest rates than the borrowers could obtain from private sources. The extractive industries enjoy the special tax incentives provided by depletion allowances, and the silver mines still sell their metal to the Government at the artificial price of 90.5 cents an ounce—a price so high that industrial users of silver purchase their entire metal requirements from foreign suppliers.

There are many other subsidy programs—the fertilizer that farmers buy from the Tennessee Valley Authority by paying only transportation costs, the tariffs that give U.S. companies a domestic market by forcing American consumers to pay artificially high prices for imported goods, the Buy American Acts—Federal and local—that increase the taxpayers' burden by forcing the national and local governments to buy higher-priced made-in-America products, the Federal research and development contracts that give valuable experience to the companies that get them, the public housing programs that provide subsidized shelter for low-income groups, and the Export-Import Bank loans and guarantees that supply Government credit to finance overseas shipments.

Most of the subsidy programs could not survive if they were judged only by economic standards. They divert resources into uneconomic types of activity, and they benefit selected groups at the expense of the rest. But the economic gauge isn't the only standard that is used in judging subsidy programs, any more than it is the only standard by which the worth of other Government activities is measured.

All good causes

We have tariffs on many items to help industries that otherwise would go under. We have tariffs to protect industries considered essential for the national defense. We have public housing because it is national policy to assure shelter under certain circumstances to low-income groups, and we have mortgage insurance because it is national policy to encourage people to own their own homes. The regional valley developments reflect a national decision to strengthen local areas. Hospital aid programs reflect a national decision to broaden and improve the availability of medical care.

Some of the subsidy programs ought to be changed or repealed. But none of them will go quietly. Each and every one is in existence because somebody wants it.

No Cause for Concern

Consumer prices are continuing to edge up, but Government experts are not alarmed. The increases have been running at about 1.5 per cent a year and a similar advance seems likely in 1961.

It's pretty close to the sort of rise that once would have been called creeping inflation, but the weight of official opinion is that it's a moderate increase that the country can live with.

The word used to be that creeping inflation inevitably would lead to galloping inflation. Perhaps it still will.

Per Jacobsson, the enthusiastic and brilliant managing director of the International Monetary Fund, flatly declares that the postwar era of inflation has come to an end.

A considerable number of United States central bankers are less certain. They cautiously agree that the immediate postwar inflationary upsurge has ceased, but they suggest that a new round of price increases could begin in a few years, after free world buying demands have caught up to free world productive capacity. If that happens, inflation—creeping or galloping—will be with us again.

Small Business Spurt

The Small Business Investment Company program is growing by leaps and bounds. There were 61 SBIC's licensed by the Small Business Administration a year ago. Now there are 175. What's more, another 350 investor groups have asked the SBA for permission to establish the novel lending institutions. The existing SBIC's, which have marshaled $161 million of capital, are entitled to borrow an additional $80.5 million from the SBA. END

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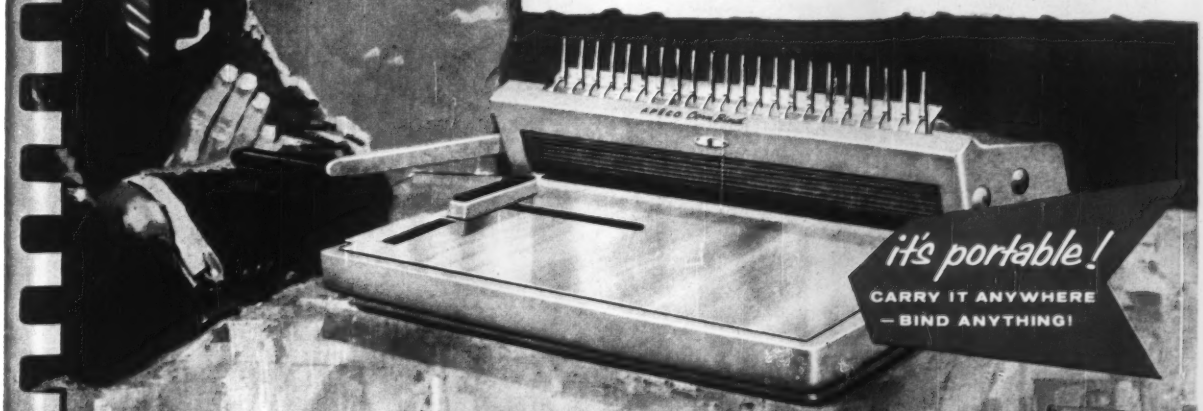

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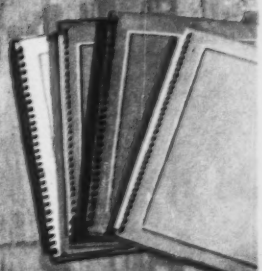

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1 **100,000-mile warranty** (or 24 months) on Super-Duty engines. On 401, 477 and 534-cu. in. V-8's, Ford Dealers will replace all major engine parts (including block, heads, crankshaft, valves, pistons, rings) found to be defec-

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tive in normal service. Warranty covers full cost of replacement parts for 100,000 miles or 24 months, whichever occurs first . . . full labor costs for first year or 50,000 miles, sliding percentage scale thereafter.

2 **12,000-mile warranty** (or 12 months) on all 1961 Ford Trucks of any size. Each part, except tires and tubes, is now warranted by your dealer against defects in material and workmanship for 12 months or 12,000 miles, whichever comes first. The warranty does not apply, of course, to normal maintenance service or to the replacement in normal maintenance of parts such as filters, spark plugs and ignition points.

3 **Special fleet financing** available for purchases of two or more trucks, provides the opportunity to precisely tailor payments to your income patterns or depreciation schedules, with provisions for extended payments and "seasonal" payments. Ford's fleet truck finance plan results in substantial savings, as well as freeing your working capital.

4 **270 Heavy Truck Dealers,** backed by a network of 6,800 regular Ford Dealers, keep your trucks ready to go wherever they go. From coast to coast, fast Ford service—gas and Diesel—is always close at hand.

5 **Replacement parts depots** at 26 carefully selected locations across the country quickly supply needed parts from ample stocks. Ford's entire supply system is geared to give you faster service and reduce costly downtime . . . wherever you are.

6 **36 District offices** staffed with sales engineers and service specialists are on call for special truck problems. Working with both dealers and customers, these experienced truck men represent another extra step Ford takes to secure your continued satisfaction.

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LUBRICATION IS A MAJOR FACTOR IN COST CONTROL

DUN'S REVIEW
AND MODERN INDUSTRY
February 1961

EDITORIAL

The Quaking Aspen

ONE dangerous aspect of modern economic philosophy is the attempt to hamper the free movement of trade by forced feeding or restrictive direction. Business, trade, industry are all the result of human endeavor and subject to the pulsation of life and the whims, foibles, and enthusiasms of people.

Progress has never travelled in a straight line, nor prosperity in a consistent upward curve. In our efforts to mechanize growth and remove the reverse gear from the business cycle, we interfere with the traffic of trade, and the uncertainties which must be a part of the risk for profitable business systems.

When business volume slips back from a previous high, and red ink suddenly appears on the profit and loss statement, management men of little faith quaver and start pointing fingers of blame.

Nature never intended man or machine to function at top speed, nor will it allow us to justify 100 per cent capacity as a norm. There is a sensible speed which offers a wide, optional range of acceleration as consumption requires periodic increases to meet market demands. A strong competitive position yielding corporate profits and individual incentives does not result from mental and mechanical fatigue. If it does, then something is wrong with management.

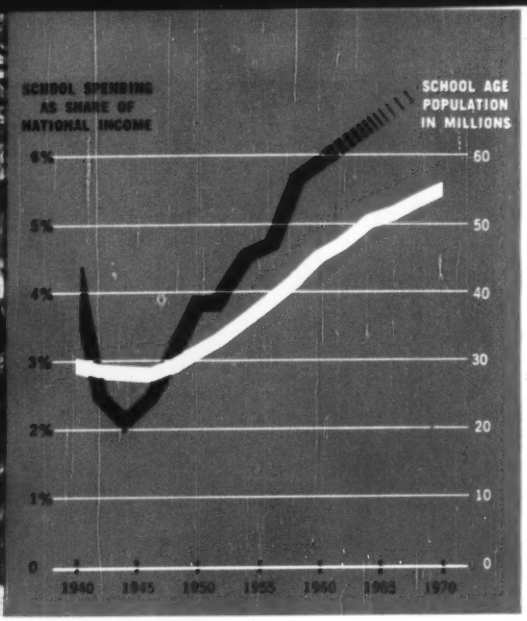
Our complex responsibility in clothing, feeding, sheltering, and serving the people is a tantalizing challenge to good judgment, but it should convince us there is no need to fear any temporary dips in the demand for the creature comforts of a civilized population.

The normal growth trend has been upward for many generations and in our day it is phenomenal, abetted by the accidental by-product of war and the rumors of wars—though it is reasonable to fear war, to prepare against it, and to profit, involuntarily, in the hopeful days of peace or long-term truce by the research, invention, and improvements that come from it.

Statistics can be magnetic and dynamic when used in proper perspective. But they can prove deceptive and damaging when the samples, circumstances, and times are not comparable. Balancing percentages of U.S.S.R. and U.S.A. production can be a frightening or foolish occupation, depending on how well one is acquainted with the base of calculations. If percentages favor the Russians' economic gains, the facts don't. Neither do actual production statistics.

Recessions, hesitations, setbacks are part of the business game, and there would be no testing points of management abilities without them. When the sales tide is sucked out abnormally, dangers are revealed and hidden obstacles charted. When competition at home or abroad pares away a profit margin, it demands appraisal of product, personnel, methods, and machines. It doesn't call for crash decisions and public grief over the wrong evidence.

The dictionary has a lot of terms for adverse trade situations, but perhaps none is more expressive than a retailer's shrug of the shoulders when he's asked, "How's business?" But when sales volume is off a trifle, and unemployment is up because of a shift in manufacturing techniques or inventory gluts, there is no reason to disguise the depression, recession, or pause with economic gobbledegook. When business is "lousy," let's admit it and do something about it—and when business is "wonderful," let's admit that, too, without waiting for the statistics to come out of Washington six months later.



Growth Markets of the '60's

The Booming Education Market

RECORD baby crops, the new Administration's promise of more support for schools, the mass movement into colleges, reaction to the advances of Soviet technology—all these and more point to U.S. education as one of the most important growth markets of the '60's.

Companies old and new in the field are plunging in with electronic devices ranging from teaching machines to burglar alarms. Others in air conditioning, heating, maintenance equipment, buses, vending machines, floor covering, special wall finishes, prefabricated building materials, and office, kitchen, and data processing equipment are now maneuvering for their share of the market.

And an attractive one it is, too, when you add the expenditures of private, parochial, armed forces, government, technical, industrial and labor union schools and colleges to the known $16.5 billion (about 21 per cent for capital outlay) which public schools are spending this year. By 1965, public schools alone will be spending some $20 billion annually (about 65 per cent for salaries).

As many companies are discovering, however, the school market has a hide-and-seek quality that can easily lead suppliers astray. One problem: Although such items as air conditioning, teaching machines, and flexible construction features are incontrovertibly in the cards for the next decade, current sales in these areas are almost negligible and current developmental and missionary costs are high.

Other problems are inherent in the nature of the market. Notes Dave McCurrach, executive manager of National School Supply & Equipment Association, whose members manufacture and distribute some 33 product lines:

With this guide to the educational market, DUN'S REVIEW *launches a new series. Prepared under the direction of Marketing Editor Thomas Kenny, Growth Markets of the '60's will spotlight:*

- *New and overlooked customers for present products*
- *The demand for products that can be developed to meet special needs*
- *Growth markets that can be entered by mergers or by buying out existing companies*
- *New opportunities for manufacturers and distributors of industrial products among plants that supply the growth markets*

Why the School Market Looks Good

Almost any way you look at it—and more and more companies are looking—the school market is an enticing one.

√ This year the U.S. has 36.3 million youngsters in public schools alone. Another 6.8 million children attend private and parochial schools, which have more than twice as many pupils now as in 1946, compared to a public school enrollment rise of 54 per cent. By 1970, 55 million children will be in school.

√ Total tab for public education—elementary and secondary—runs to $16.5 billion this year. Last year, private and parochial schools, including colleges, spent about $9 billion.

√ Public schools account for 20 per cent of all public construction. They'll build 607,000 new classrooms at a cost of $25.5 billion by 1970.

√ Colleges will have some 5 million students by 1965. And they'll spend from $10 to $16 billion in plant expansion before 1970 rolls around.

1. Getting good distribution is both essential and tough. For most equipment and supplies, the best way is through established distributors. But unless the product is completely new, chances are the good distributors already carry one like it.

2. School business is highly seasonal, with about 80 per cent of deliveries made during three months of the year. This calls for good storage facilities or banking connections.

3. Schools are notoriously slow (though reliable) payers.

4. Good marketing figures are scanty. Manufacturers and trade associations don't generally break down their school sales. Many schools have their own accounting systems and can't report on a comparable basis. Enrollment figures by themselves aren't always satisfactory marketing yardsticks, either. A supplier may estimate that every classroom should have a globe—but the finances of the school district may dictate otherwise. Even with such an obvious product as seats, you have to consider the prevalence of split sessions in your estimates. The "who" and "where" of enrollment are vitally important to realistic projections.

5. Competition is razor-keen, with most buying done by competitive bid.

Yet one bright sign is that school administrators' innate conservatism is now yielding to the pressures of expanded population, new subject matter, new teaching methods, acute teacher shortages, inflation, and the needs of national security—to say nothing of the public's demand for a quickening of our educational pace.

Fundamental, far-reaching change in teaching techniques and tools is in the wind. The combination of too many students and too few teachers is forcing major shifts in both equipment and school design. Last fall, there were 1.9 million pupils (5 per cent of the enrollment) in excess of the normal capacity of our public schools. We were 132,400 classrooms short: half that number were needed to accommodate the overflow, half to replace obsolete facilities. We needed 62,000 more teachers. Of the 1.5 million working, almost 100,000 had "substandard" certificates.

Pupils — teachers = sales

In short, the teachers need help. Already, most schools are using some form of one-way mass instruction, whether it's closed-circuit television, tape-recorded lectures, or motion pictures.

Now the race is on for two-way teaching machines (see photos on page 34). Chief spur is the offer in the 1958 National Defense Education Act to match the money a community puts into new equipment for teaching science, mathematics, and languages. Although the manufacturers get no financial help for development, the prospect of a half billion dollars in sales is buoying their spirits.

Some twenty manufacturers are already in the field with machines ranging from a manually-operated $20 unit produced by Grolier, Inc., New York encyclopedia publisher, to a $10,000 language laboratory from Magnetic Recording Industries, New York. All the machines are designed to compress knowledge into tiny, digestible chunks which permit each student to learn at his own pace. With the machines automatically quizzing as they go along, the teacher can handle from two to four times as many students.

The possibilities of the teaching machines have barely been tapped. They can be hooked up to film projectors for visual demonstrations, or to tapes so that students listen to the expert and then to themselves.

But relatively few machines are in real production. American Seating Company, Grand Rapids, Mich., has several electronic language laboratories installed throughout the country, and Western Design Division of U.S. Industries, Inc., has over a dozen $5,000 "AutoTutors" working for the Air Force, with smaller school models on the way. Western's Philip H. Emrich, manager of training systems, foresees annual sales of $25 million within five years, an estimated $500 million by 1970. Significantly, teaching machines lend themselves best to secondary and college levels, and this is where the biggest enrollment growth will occur.

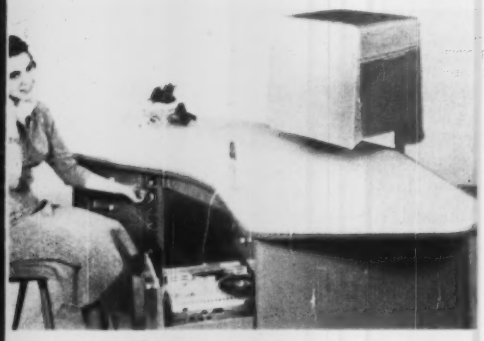
Teaching machines are only part of the revolution—now starting at the college level—in which the traditional capital outlay ratio of 75 per cent for the building, 25 per cent for tools is being reversed. Says Educational Facilities Laboratories President Harold B. Gores: "Higher education is tooling up, using electrical and mechanical means of finding and transmitting knowledge. Computers, cyclotrons, hot laboratories, language teaching machines, transmission of information on tapes will all have the effect of drawing attention away from shelter toward what goes into it. This same shift of attention and expenditure can be expected in secondary education, and to a lesser extent in elementary schools."

Transvision Electronics, Inc., New Rochelle, N.Y., has made an electronic demonstrator, an operating television receiver designed to be dismantled and reassembled to teach basic electronics principles. (At the suggestion of one city's school officials, Transvision, a small company new to the school market, started five years ago to design a TV set incorporating special safety features. Four years and 100 model changes later it

Reading, Writing, and Remote Control

FROM KINDERGARTEN TO COLLEGE, *the new teaching machines are coming into increased use to free teachers of the routine chores of drilling, testing, and correcting. Produced by Rheem Califone Corp., Los Angeles, this pre-verbal machine tests ability to associate letters with pictured objects. The correct answer automatically brings the next question into view.*

THIS ADVANCED TEACHING MACHINE *presents pictures, diagrams, and problem information on a small screen. In response to specific questions, the student punches in the answer on a keyboard. Produced by the Western Design & Electronics Division of U.S. Industries, Inc., the machine relieves the teacher of the time-consuming job of correcting papers and speeds up the rate of learning.*



TEACHER'S DESK *now comes equipped with a disappearing television set, a tape-recorder, remote controls to close draperies and turn off classroom lights. The new design is from American Seating Company, Grand Rapids, Mich.*

BY FLICKING A SWITCH, *the teacher can channel any one of sixteen different lessons to the pupils who record their recitations and play them back for critical review. Since the teacher can communicate with any pupil without distracting the others, she becomes, in effect, a private tutor for each. Produced by the American Seating Company, the Electronic Learning Center is already in use in Tenafly (N.J.) High School.*

SPECIALLY DESIGNED *for the school market, this television stand doubles as an antenna. Features include anti-shock insulation, large base to prevent tipping, and a safety belt to secure the set. It is produced by Transvision Electronics, Inc., New Rochelle, N.Y.*

finally chalked up the first sale.)

School shops are another upcoming market. W. E. MacLachlin, school sales manager of Rockwell Manufacturing Company's Delta Power Tool Division, sees the public school market for power tools at $31.5 million annually.

To help harried teachers save time and improve the use of still projectors, Minnesota Mining and Manufacturing recently introduced new film sheets on which transparencies of clippings and other material can be made in ten seconds with a desk-size copying machine.

Schools have also become prime markets for burglar alarm systems, what with a sizable annual tab for broken windows alone. Walter Kidde & Co., Belleville, N.J., is offering both ultrasonic and electrical alarm devices. Minneapolis-Honeywell is introducing an electronic vandal fence, a simple capacitance wire which creates an electromagnetic field. An approaching intruder distorts the field, triggering a remote alarm.

Honeywell is also selling schools a master programming clock which controls individual room clocks, and several fire alarm devices, including a smoke detector. A sonic detector listens in on empty classrooms, and a closed-circuit TV watches empty areas. The company's school sales of thermostats, electronic air cleansers, and other climate-control items have increased fivefold in the past eight years.

Some companies are in the school market not only for current sales but to interest future customers: Eleven out of fourteen manufacturers surveyed by American Home Laundry Manufacturers Association offer special discounts to schools for automatic washers, dryers, and ironers. Smith-Corona Marchant Inc., New York, is marketing a new compact electric typewriter to schools. This year 13 per cent of all instructional models will be electric—a good way to build future secretaries' loyalty.

Quick-change artists

Like Madison Square Garden, which shifts easily from a six-day bike race to a three-ring circus, today's school building must master the art of quick change. The college and secondary school of the future—and to some extent, the elementary school—will no longer have fixed classrooms for 30 to 40 pupils. Students will learn

in lecture groups of 100 to 200 and in subject "laboratories" employing teaching machines, visual aids, and so on. They will then assemble in small groups of ten to fifteen for tutoring.

All this means that today's fixed, row-by-row classrooms, even in slick, postwar buildings, will be obsolete—a fact which concerns planners, who know that the schools we build today will still be serving in the next century. Educators are talking about "divisible" space and "operable" walls. They want to be able to regroup with push-button ease virtually every classroom and limited-use areas like auditoriums, gymnasiums, lunchrooms, and even libraries. And they want acoustical as well as visual privacy.

For some suppliers this trend toward flexibility will call for more selling at the architect's office, and more missionary work to get their products specified early in the game. But to be specified by a board of education or a superintendent or an architect (see box at right) is only half the job. The rest is making certain at the contractor level that another bidder doesn't snag the order anyway.

Flexibility will mean that much school furniture and equipment will no longer be stationary. Seats won't be bolted down, even in the auditorium. So as not to limit the use of precious space, school furnishings in general will be portable or will fold away—cafeteria tables will disappear into the walls, for instance.

Although new schools will feature a good deal of built-in audio-visual equipment, there will be few spectacular changes in building materials. The emphasis is already very strong on fire protection. Architects and cost-conscious school boards are showing increased interest in fire-resistant coatings for interior and exterior building surfaces. For example, Desco International Association, Buffalo, which sells fire-resistant floor and wall coatings, reports that since 1949 it has enjoyed a constant annual 30 per cent increase.

What are architects seeking from suppliers? Chief Designer Guy G. Rothenstein of Frederick P. Wiedersum Associates, school architects, says they want units in which separate operations have been completed by the fabricator—a door and door buck put together, for example.

With so many students to be educated, administrators can't help regarding any dormant summer months as wasteful. Already most secondary schools and colleges are bustling with summer activity, as students make up for failures or bone up for acceleration.

Yet so far, only about 200 schools in this country are fully air-conditioned. These are chiefly in the Southwest, though some are as far north as Schenectady and Syracuse, N.Y. A few new schools are building in ductwork for future air conditioning. The manufacturers stress many features besides cool summers: better learning, more flexible classrooms, easier use of audio-visual aids—even lower construction and maintenance costs.

Part and parcel of the air-conditioned school is the windowless school, free forever from the need for exterior walls for classrooms. This will permit schools of undreamed-of shapes, allowing for far greater utilization of space than ever before. And the need for up-to-date, well-designed equipment in all that space is just one of many things that makes the school market one of the most exciting for the manufacturer with ideas, energy, and plenty of marketing savvy.

—CLAIRE TRIEB SLOTE

How Schools Buy

Most school buying is done locally by school districts which, happily for suppliers, have for years been energetically consolidating with their neighbors. In 1931, there were 127,422 school districts; last year there were 40,605.

Of these, only 12,000 have enrollments of over 300 and of the 12,000, only 4,500 have over 1,000 pupils. Only 800 have an enrollment of over 6,000.

Who does the buying? In most of the larger school districts, a business administrator coordinates purchases and has much to say about selections. But when selling equipment and supplies to the public schools, a manufacturer must solicit everyone from the classroom teacher to the special teacher (who has over-all responsibility for a subject or area) to the principal, superintendent, and members of the board of education. This means many calls, especially since the influential board members have limited terms of office.

For anyone selling materials and equipment to be built into a school, the architect is an important port-of-call. But whether the equipment is a teaching tool or a structural item, someone from the school or district determines the specification. Sometimes it's the contractor who makes the final choice.

Since manufacturers can't begin to cover all this ground, the school supply distributor is a key figure. Many suppliers admit that most of their effort goes into selling the distributor and then supporting him with direct mail and a supply of experts who can be called in to iron out technical problems. American Seating Company doesn't stop at direct promotional appeals to its educator-administrator market. It also advertises in consumer magazines to gain public support.

Purchasing follows a similar pattern in the Catholic school system, although it's usually somewhat simpler because each archdiocese has a central purchasing agent. Even here, however, the schools should be approached individually.

One key to selling consolidated school districts: Offer units that can be put to work in more than one school. For example, Toro Manufacturing Company, which finds schools second only to golf courses as purchasers of its lawn mowers, is introducing a tractor-cutter that can be driven from one school to another. Another multi-use unit is Rheem Manufacturing Company's mobile language laboratory.

Tax-tired and bond-weary, U.S. communities are demanding full value for their dollar. With so many "customers" paying sharp attention, the school market is a challenging one. But then again, with so many customers, it's also very rewarding.

- *In the wake of the Chrysler incident, management's concern about possible conflict-of-interest scandals has mounted sharply.*
- *Companies are crystallizing their policies, surveying key personnel, demanding rigid adherence to high ethical standards.*

Industry's Conflict-of-Interest Headache

WHEN Robert S. McNamara, the nation's new Defense chief, appeared before the Senate Armed Services Committee late last month, he outlined plans for disposing of large personal holdings in the Ford Motor Company. Just eight years earlier, under the pitiless glare of the public spotlight, "Engine Charlie" Wilson of General Motors reluctantly divulged plans for selling his shares of GM stock. The cast had changed since 1953, but the plot and setting were the same: Under the Federal Government's conflict-of-interest statute, Cabinet members must divest themselves of shareholdings in corporations with which their departments do extensive business.

This periodic drama on the national stage highlights the American public's continuing concern over possible ethical lapses by men holding positions of great trust. Awareness of the public's concern penetrated to the very core of most corporations last October, when Chrysler Corp. announced that a conflict of interest had cost President William C. Newberg his job. Companies everywhere found stockholders demanding a full accounting of policies governing conflict-of-interest situations.

The corporate response was swift and far-reaching, according to results of a recent DUN'S REVIEW survey of 200 top company presidents.

A flat 25 per cent of the responding companies say surveys of key personnel for possible conflicts of interest have already been carried out. Fifteen per cent plan to conduct such check-ups soon, and an almost equal number will continue their standard, periodic surveys on schedule. Of the 43 per cent not contemplating surveys or investigations, nearly one out of four is reminding key personnel of company policy. Among corporations that have taken no steps at all, a few express fear that somewhere lurking within the organization is a potential scandal. Newberg's pending suit against Chrysler—he alleges conflicts of interest were widespread in the company's top management—may inspire them to poke about their corporate closets for skeletons.

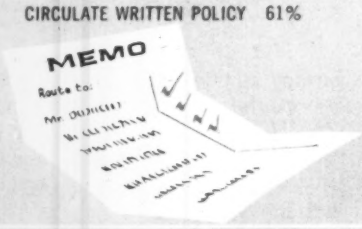
Among the companies that do not plan to survey their personnel is a sizable group that feels internal investigations are unnecessary. They agree with the president of a large refinery that "Company policy is thoroughly understood—and adhered to.

A few companies openly question how deeply a corporation should probe into private affairs. They see ethical questions posed by internal surveys that are as sensitive as those raised by possible conflicts of interest.

The mechanics of surveying employees poses no problem. There seems to be general agreement that passing around a standard questionnaire is the most effective survey technique, though some companies prefer face-to-face interviews. The wording of most questionnaires is strikingly similar. A brief paragraph explains the purpose of the survey, and a few short questions ask about outside stock holdings and the like. When it comes to evaluating answers,

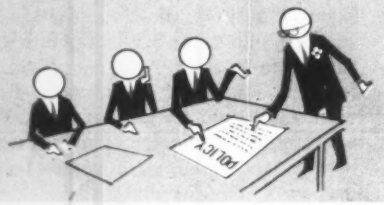
Four Approaches to Preventing Dual Loyalties

CIRCULATE WRITTEN POLICY 61%

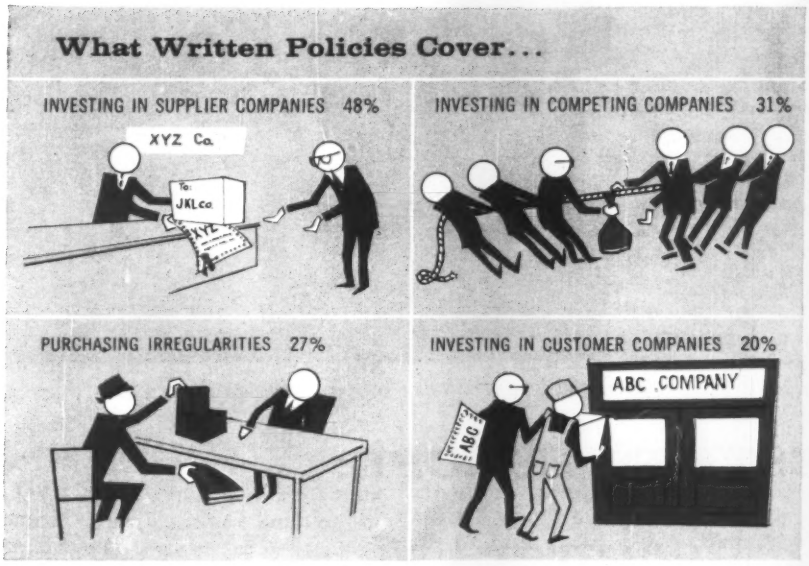


SURVEY PERSONNEL PERIODICALLY 46%

DISCUSS POLICY AT CONFERENCES 40%



SET HIGH MORAL TONE 13%



four-fifths of the companies using surveys rely on internal auditing. The rest send the forms to outside auditors. One large company reports it hires outside investigators to report on employees holding critical positions if it has the slightest reason to suspect duplicity or unsavory practices.

How many conflicts of interest have the companies encountered in the last ten years? Absolutely none, say three out of four. Many of the rest experienced only minor problems—Christmas gifts and the like. Of the more serious problems, investment in supplier companies was the most frequent, followed by misuse of privileged information, leaking confidential data, and accepting kickbacks.

The positive approach

To thwart such situations, many companies periodically circulate their written policies among members of top management. These are usually phrased in general terms, with the emphasis on high ethical conduct rather than possible pitfalls.

Companies whose policies caution employees about specific areas most commonly mention: investing in supplier companies (48 per cent), investing in competing companies (31 per cent), receiving kickbacks or bribes (31 per cent), and investing in customer companies (20 per cent). Twenty-four per cent also restrict the right of key personnel and executives to serve as directors of other corporations or hold outside employment. Twenty-seven per cent point a stern finger at purchasing irregularities.

Top management everywhere agrees that "an ounce of prevention is worth a pound of cure." But what constitutes the best prevention? Nearly two-thirds of the corporate leaders say emphatically: "Circulate the written policy." In the words of Frank L. Magee, board chairman of Aluminum Company of America: "A clearly stated policy and a clear understanding that it will be enforced throughout the company are most effective."

Apart from circulating written policies, almost half the chief executives believe that periodic surveys are a good deterrent (though only a third of those holding this opinion use such surveys). Well over a third advocate publicizing policy in meetings or conferences. A number of presidents (13 per cent) suggest that top management need only set a sound example. An advocate of this point of view is President Edgar M. Bronfman of Joseph E. Seagram & Sons, Inc., New York: "Top management men can make known their attitudes, eliminating all possibilities of rationalization or evasion by those in lower echelons."

Almost 90 per cent of the presidents responding believe emphatically that conflicts of interest have not increased over the past decade. Most agree with Richard E. Krafve, president of Raytheon Company, Waltham, Mass., who says: "The problem is not new. The increase of conflicts of interest in the business world is only illusory. Apparent increases may be ascribed to the healthy publicity given to conflicts discovered in recent years." J. Ward Keener, who heads The B. F. Goodrich Company, notes: "The business world continues to move at a faster and faster pace. This may account for a *feeling* that conflicts of interest have become more common."

A number of presidents insist that, if anything, the situation has actually improved. Says the head of a large Midwestern company: "Today, a greater amount of business is done by large corporations. This offers less opportunity for individuals to indulge in practices of this kind than in small companies." An East Coast executive suggests that "scientific procedures" employed by most large corporations eliminate "obvious abuses."

To be sure, a small number of corporate leaders feel conflicts of interest have become more common. A Pennsylvania executive blames it on the growing number of corporate mergers. Since executives in many divergent fields have become more closely associated, the possibility of conflicts, he concludes, "has become a more apparent hazard."

Improved with age

This president is also one of the few who sees a general decline in business ethics. Most feel business ethics have either remained static over the past 10 years or improved. A New York top executive relates: "I'm told that years ago it was common for people in buying positions to receive kickbacks, gifts, or a financial interest in a business almost as part of their salaries. Today," he remarks, "things are different."

Most of his fellow presidents agree that things today are indeed different. They cite the constant "demand to know" by Government, stockholders, the public, and labor. These factors, they say, have elevated business ethics.

A few point out that conflict and corruption will exist as long as man's basic nature remains unchanged. This view is summed up neatly by John E. Swearingen, president of Standard Oil Company (Indiana), who says: "Ethics are as high now as in any recent period of business activity. Unfortunately, one cannot legislate honesty or guarantee absolutely that there will be no bad apples in the barrel."

—Jack J. Friedman

A DUTCH MECHANIC *demonstrates his proficiency to American and European executives at the Netherlands subsidiary of Monroe Calculating Machine Company. "Keep in close touch with European operations," Monroe officials advise U.S. business men.*

OPERATION WESTERN EUROPE:

What U.S. Manufacturers Must Know

» *A dynamic market—low production costs—skilled labor—rapid distribution: These are the phrases that stud the reports.*

» *Why then are some U.S. companies that have crossed the Atlantic going broke right in the middle of a boom?*

Americans who are operating profitably in Europe make no attempt to put a rosy tint over the realities. Here is what they reply when asked about the hard facts of doing business in a foreign environment today:

• *Can an American company move in and start operating in Europe alone?*

Several companies with long overseas experience, out of the scores interviewed, say the one overriding rule is: Don't try to go it alone unless you're an old hand at foreign operations. Even some of the major U.S. organizations with huge staffs of foreign experts choose to cooperate with European companies that can offer ready-made reputations and a pass-key to the mysteries of local operations. They report that the little differences in how things are done may be just enough to throw the best-laid plans out of gear. This problem can be attacked by a "joint venture" in partnership with an established European company, by buying a small company already on the spot as an overseas subsidiary, or by licensing a European organization to produce and distribute your goods. (See case histories.)

Teaming Up

HOW do you find the right company if you decide you want a European partner when you invade Continental markets? Advises John W. Anderson, vice-president in charge of the international division of Bundy Tubing Company, Detroit: "Use your banking contacts."

Bundy, which first went into the international field through the sale of patent rights before the war, in 1956 set up a joint venture with Mannesmann A.G., one of the largest German manufacturers of pipes and tubing which, Anderson remarks, "dates back just about to the beginning of steel."

Executives of the Bundy-Mannesmann joint venture, Mechano-Bundy GmbH, are all Germans who come over to Detroit for training. American specialists make regular trips to Heidelberg, and are "on call" to hop the Atlantic in emergencies.

Mechano-Bundy sells primarily in Germany, where it did $6 million of business last year. Bundy Tubing has licensing arrangements with Armco subsidiaries in England, France, and Italy, each of which takes care of sales in its own country, "though they spill over the boundaries a little," Anderson notes.

Bundy Tubing's total 1960 foreign sales, including those in the Far East, Australia, and South America,

run about 10 per cent above its U.S. sales, and it is now diversifying its product range to capture a share of the mass "leisure" market which is developing in Europe: A wholly owned subsidiary in Italy has started production of a new outboard motor, designed and developed by an Italian firm.

What does Bundy consider the main attractions of European operations? The major advantage, according to Anderson, is that "the man to whom you pay X amount of money for eight hours' work *gives* you eight hours. He works for what he gets."

Going It Alone

BUY OUT a company or start from scratch? This is the first question for the manufacturer who plans a European subsidiary. The answer is often determined by the newness of his product or the level of European competence in the field.

Two years ago, Hamilton Watch Company ($31 million in sales last year) bought a century-old, family-owned Swiss company, A. Huguenin Fils. All its executives have been retained. Reports Hamilton President Arthur B. Sinkler, "We would have hired Swiss in any case. They're efficient managers and know how to handle the men."

But training European sales executives in the U. S. is essential, Sinkler believes. "Manufacturers over there expect buyers to come to them. You have to stimulate a little more aggressiveness."

In addition, he recommends a flexible policy in supplying components. Hamilton ships some from its Lancaster, Pa., plant, makes some in Switzerland, and "shops around" for others.

Flexibility in general is particularly important in European operations, advises Edward G. Aghib, director of product planning at Monroe Calculating Machine Company, Orange, N. J. (1960 sales: over $50 million). Eleven years ago, he says, when the company broke ground for its first European subsidiary, it was aiming only at Continental sales. The same Dutch plant, considerably expanded, now handles the entire production of several machines sold around the world.

Monroe's wholly owned subsidiary in France, on the other hand, is principally a sales organization. Monroe

● ***Do foreign governments treat their own businesses better than U.S. companies?***

Not consciously, as a rule. But anybody who knows the ins and outs of any government has an edge in getting things done quickly. That's one reason why working with an established European company is an advantage when it comes to getting new licenses, approval of major plans, changes in regulations, or help in pushing through a government-sponsored loan. Whenever new investments are blocked, the reason seldom has anything to do with their U.S. origin. Around Milan, Italy, for instance, several Americans have had trouble getting licenses to open supermarkets. But the reason is that the city's first few supermarkets have had such a spectacular success that the local government fears small grocers may be put out of business, aggravating the unemployment problem.

On the whole highly receptive to U.S. investment, regional, city, and national governments in Western Europe occasionally offer special tax reductions to woo newcomers away from other regions.

● ***Is there more red tape than here or less?***

About the same. Americans operating in Europe have a tendency to cry that the red tape is terrible. But when they come back to the U.S., they often say it's worse at home. Government officiousness always seems more onerous at the moment it's encountered than it does later on. European officials, once known for their petty insistence on details, have changed a great deal. The Common Market countries are among the least bureaucratic of all Europe's nations. Holland is outstanding, but you'll find all of the "Six" far above average in this regard.

● ***Do European companies try to "gang up" against U.S. businesses?***

Here again, it's not so much a matter of national origin as of economic facts. It's wise to study the distribution arrangements in your own industry, but relatively few lines are dominated by cartels. It's wise to be cautious, not fearful. Europe's old cartels still exist, however, and they are fighting to assume command of the new business alignment. There are auto manufacturers, to take just one example, who have tried to make secret deals for carving up the new markets to their own liking. Many officials are battling these attempts, but without much success. A U.S. producer obviously runs into obstacles trying to do business under such conditions, especially since our Justice Department's antitrust officials are likely to crack down if the American company retaliates with a little trade-restraining of its own. This is one more problem that is eased by partnership with qualified European business men who know the ways of the competition.

● ***Are production costs rising?***

No. Europe is mechanizing, expanding into bigger factories, and automating more and more. Costs are being reduced. Coupled with good labor at much lower wages than ours, this means that producing in Europe will be highly attractive for many years to come. Locally made components and parts are more readily available than they used to be. They cost less, too—so a finished "American" product can often be put together there without importing any materials whatever from this country.

● ***Are European workers as good as ours?***

Generally speaking, not quite. This varies from place to place. German, Dutch, Swiss, British, and North Italian workers are in the same league with our labor, though a notch or two below in efficiency. They are punctual, reliable, and they learn quickly. But even with the latest machinery, their output is lower because they don't set themselves as high a goal. And because of the language differences, when a U.S. technician has to explain new equipment to laborers, the normal "breaking-in" period can be many times longer, so in choosing men for overseas assignment, bear in mind there's a big difference between having studied a language and really fluent command of it.

● ***Are wages rising in Europe?***

Yes, very steeply in some places. But these are areas where the rates have been so low that even big percentage increases are possible without seriously affecting profitability. European union leaders are considered somewhat more "responsible" than ours. Although they are pressing for wage increases right now in Switzerland, Holland, and Germany, they usually listen reasonably when employers and government economists suggest they scale down their demands.

Right now, the current prospect is that Europe's wages, starting from a much lower base, will continue to rise at a faster rate than ours. Yet if there is no depression in the U.S., and no sudden inflation in Europe, it will be at least two decades before their wage levels draw even with ours. And the fear of inflation is so great that even unionized workers listen soberly when the peril is mentioned.

● ***How do Europeans like working for Americans?***

We think of our companies as being the last word in pleasant employment. Yet many Europeans regard American firms as tough and cold. They think the work pace we set is far too fast. They believe Americans insist on "filling ten forms before a pencil is issued," and that we fire employees without a second thought. There have been two U.S. companies in Switzerland that started operations, hired men away from good jobs they had held for many years, then decided within a few months that they had located in the wrong place. In an area where changing jobs is taken more seriously than it is here, the two-week notice these people received left a lot of bitterness.

Your corporate officers should get to know the people in your branches or subsidiaries abroad. Make sure, incidentally, that your European managers aren't pushing the workers too hard, since they tend to be tough in order to show big results for the home office. Even results that look good now can boomerang if you get a Shylock reputation. Note, however, that although European workers get more fringe benefits and feel that employers offer a paternalistic security, sharp criticism and curt orders are far more common than here. U.S. plants and branches in Europe tend to treat their employees too strictly, if a native European is placed in charge—but too permissively, if the manager is an American who tries to duplicate the informality of a U.S. plant.

● ***Is there still room for more U.S. know-how in Europe?***

Despite the fact that many European plants are now more modern than ours, there are still things we can teach them. Management consultants who serve European factories say the greatest difference is in planning. Their technicians are often more precise. Their engineers are at least as ingenious. But nobody is the equal of the American manager when it comes to setting a whole group of objectives and organizing to reach them. Europeans, who plan on a month-by-month and unit-by-unit basis, are astonished at how a U.S. executive can suddenly start a whole company working toward yearly goals after a few hours of discussion and analysis.

● ***Does Europe offer more room to grow than the U.S.?***

Probably. This is certainly so in consumer durable goods, where the American market appears near the saturation point. Europeans, in contrast, have just caught on to the delight of buying TV sets, washing machines, and refrigerators in 36 easy payments. More and more women are going to work just so they can afford more. It's like the America of 1925, with decades of buying ahead.

Bear in mind, however, that the continuation of this prosperity depends on our own economic soundness. Just a slight dip in our buying cuts Europe's export earnings enough to cause a slump over there. So don't look on investment in Europe as a hedge against trouble in the U.S.—but as a major supplement to the profits you can make at home if you keep your shoulder to the wheel.

—CHARLES A. CERAMI

also has a controlling interest in the Sweda Cash Register Company, is having a few machines made by a Swiss company, and imports some German-made machines.

Fred Sullivan, president of Monroe, a division of Litton Industries, recommends careful planning before deciding which lines should be produced in Europe. "It's unprofitable to duplicate tooling," he points out.

Aghib remarks that Europe has had an ironic advantage in recent years. "Machine tools that are twenty years old don't give you a competitive edge today. Obsolescence is a post-war American problem, whereas many Europeans had to start almost from scratch after their manufacturing capacity was destroyed during the war. They'll keep American industry on its toes."

Selling the Rights

"THE FUN of making the contact is all we've gotten out of it." This description of a licensing agreement made by a small California industrial equipment maker doesn't hold true for the Risdon Manufacturing Company, Naugatuck, Conn., medium-size producer of aerosol valves. The reason: Risdon's insistence on a minimum payment clause in its contracts with companies in England, France, Germany, Italy, and Spain.

The one "lemon" Risdon signed up was plucked from the bunch after personal negotiations which included a reminder that the German licensee had breached his contract by not working the license. Risdon's Italian licensee has now set up his own German manufacturing plant and hopes to make up for lost time.

Industrial producers can expect royalties of 3 to 7 per cent from Europe, reports Andrew Wolf, of Pegasus International Corp., New York consultants on foreign business. Consumer products sometimes draw as much as 10 per cent, and recent tax rulings suggest the royalties can sometimes be treated as capital gains. Wolf also points out that in Europe, personal salesmanship aimed at retailers is infinitely more common than expensive consumer-oriented ad campaigns, another obvious advantage for the manufacturer who, facts in hand, wants to cash in on the opportunities that now lie waiting in Western Europe.

THE FOLKLORE OF MANAGEMENT: XIV

Pity the overworked executive! Behind his paperwork ramparts, he struggles bravely with a seemingly superhuman load of responsibilities. Burdened with impossible assignments, beset by constant emergencies, he never has a chance to get organized. Pity him—but recognize him for the dangerous liability he is.

The Myth of the Overworked Executive

CLARENCE B. RANDALL

A FINE automobile is one of the miracles of modern engineering. Beneath the hood lies unlimited power, ready to lunge into immediate action at the slightest touch of the accelerator. Yet there is no unseemly outward manifestation of that power. Stand beside the car when the engine is running and you scarcely hear a sound. There is no observable movement or vibration.

You cannot see the brakes, but they are wondrously efficient. The power can easily be released, but it can instantly be brought back under control. The car is always on the alert, always ready to do its job, but it is constructed for easy guidance and complete control at all times.

We have fine business executives who are like that. Their behavior is marked by outward calm and poise. Underneath lies tremendous personal capacity and power. Great effort is not signaled by outward commotion. They can take decisive action without breaking through the barriers of orderly restraint. In the African jungle, the lion roars as he springs for the kill, but among executives, those who are the leaders can exert their greatest strength without lifting their voices.

I am not, however, writing of these men, but of their opposites.

In nearly every organization there is a self-appointed overworked executive. All day, every day, he advertises his martyrdom. His, he believes, is the pivotal responsibility in his company. Constantly sorry for himself because of the enormous burden he bears, he calls all men to witness the sacrifices he makes for the good of the company, sacrifices so little appreciated by his superior officers. Privately, and yet to all who will listen, he pours out his personal woe, which is that he is badly underpaid.

Here is how you will know him: His desk is a mess. Papers are strewn across it in wild disarray, creating the impression that every important corporate transaction comes to him for approval. Yet if you should discreetly make a few spot-checks, you would find that many of the letters and memos which he paws through to find the one you are after were there last week. They will be there next week, too. Should you find one day, to your surprise, a slight improvement, you would probably later discover that he had achieved this in desperation by sweeping an armful of papers into the desk drawer.

CLARENCE B. RANDALL, a former board chairman of Inland Steel Company, recently served as a special adviser on foreign economic policy to President Eisenhower. His writings and speeches have established him as one of the U.S. business community's most thoughtful spokesmen.

Close by our hero's elbow is a large ash tray, half full of partly smoked cigarettes, to indicate the extreme nervous tension under which he operates.

He seldom goes out to lunch, but has a sandwich and a glass of milk brought in. This adds to the build-up. Not a moment of his time must be lost, or earnings for the month will go off sharply.

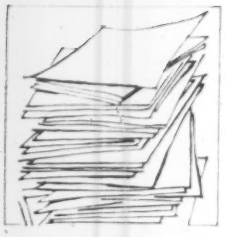
In his hand when he leaves the office at night is the inevitable bulging briefcase. He would no more be caught without that mark of martyrdom than he would be seen without his trousers. True, many of the papers in it have already made a great many round-trips without being disturbed. Occasionally there might even be a racing form in there somewhere. But nevertheless this nightly show makes it clear to all that here is a very important man.

If he drives home, he is the last man out of the parking lot. If he is a commuter, he flops on to the end car of the last train and falls into a seat with an exhausted sigh that can be heard in the next vestibule.

When finally he bursts in the front door of his house, he pecks his wife hastily on the cheek and expects to sit down at table immediately. He must never be kept waiting. He has dropped his briefcase in the front hall, where it is likely to stay till morning if there should happen to be a night ball game on. At best it will be a tug-of-war between the papers and the blare of television for several hours. There will be little general family conversation.

Supper is a catch-as-catch-can affair. He is badly overweight and eats unwisely. He will probably get up from the table at least once to put in a long-distance call, and the meal will get cold while his family waits for him to come back to his chair. They have to listen to the conversation, although they are not clear what it is about—partly because he is not clear himself.

His children will never be close to him, for they have been reared in an atmosphere not of companionship but of awe. Father must always come first. He is a very important man who can never be disturbed. Lacking clairvoyance, he does not see, nor do they, that in his declining years he will be the object of their pity. For him, there will be no dividend years.



What little responsibility he has, he shares with no one. Neither superior nor associate is ever quite sure just what it is that occupies him so intensively.

One of this man's proudest boasts is that he has not had a vacation in ten years. "Just can't take the time," he says. That his wife deserves one, that his family is growing up without the joy of shared experiences with him are considerations outside his realm of understanding. Actually, his capacity for enjoyment is so atrophied that he would not know what to do with a vacation if forced into it. Nonetheless, he will soon have one involuntarily—in a hospital—when his coronary thrombosis comes, as it surely will.

The only form of recreation he knows is gin rummy. About once a week he telephones his wife (after she has planned supper) that he will be detained at the office. Then, with a random group of cronies of equally low intellectual output, he stays up altogether too late and absorbs altogether too much bourbon.

He is greatly given to travel, rushing about on planes, briefcase in hand, as though the number of miles flown in a year were any criterion of effective effort. Physical activity gives him a proud sense of doing. Often a long-distance call, if prudently planned and intelligently carried through, would fully answer the purpose, but that would somehow downgrade the whole transaction. Nor does he ever achieve much by correspondence, since he has never learned to express himself cogently and persuasively in a letter.

What little responsibility he bears, he shares with no one. To simplify his day by delegating to juniors the routine clerical part of his tasks would deflate his ego. Neither superior officer nor associate is ever quite sure just what it is that occupies him so intensively. If something takes him away from his desk, whether for an hour or for a week, everything stops.

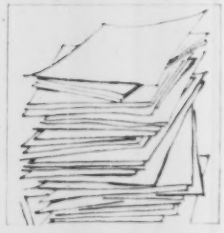
Partly this is because it gives him satisfaction to surround himself with a slight air of mystery. For example, he is highly secretive about his personal affairs. He would not think of letting a secretary handle his checkbook or take his deposits to the bank. She might find out how small his income really is in comparison with the image he is endeavoring to create.

He has never had a will drawn, has never had a frank talk with his wife as to what to do or whom to consult in case of his death, or told her what she may expect by way of income during her remaining years. His meager insurance policies are not collected in one place, and his Social Security card is long since lost.

He is chronically late for all engagements. When a staff conference is called, he bustles into the room fifteen minutes after it has begun, wearing an air of preoccupation which is intended to suggest to his colleagues that it is generous indeed for a man who bears such manifest responsibility to take time for such lesser matters at all.

In his office he is rude to visitors. He keeps them waiting beyond the time set for the engagement, partly because his awareness of his surroundings is so low that he is actually not conscious of the passage of time, and partly because by delaying others he reminds himself once more of his own importance.

They, of course, know him well, and expecting such treatment, arrive



In nearly every organization there is a self-appointed overworked executive. All day, every day, he advertises his martyrdom and calls all men to witness his sacrifices.

Policy is neither reliably implemented nor accurately transmitted by such a man. Because he cannot discipline himself, he can neither lead nor discipline others.

late, thus introducing irregularity into both his schedule and theirs. They know, too, that he will not cut his telephone. He will make them listen to boring conversations that are completely unrelated to what they have come to discuss.

The presence of such a disordered life within an organization can have repercussions that are the very antithesis of good management. Inevitably, this man becomes a focal point from which confusion and uncertainty spread.

Policy can neither be reliably implemented by such an individual nor accurately transmitted to others. Because he cannot discipline himself, he can neither lead nor discipline other men.

The fault lies within. What is missing is the inner poise and deep humility that comes from the continuous development of the adult mind and spirit.

A person of this type is almost invariably one who early abandoned the cultivation of the mind. Yet, sadly enough, he is more often than not a college graduate.

Despite this, he has no intellectual satisfactions. From one year's end to the next he never enters into the companionship of great minds by good reading. He confines himself strictly to the daily paper, principally the financial and sporting sections, and to his trade journals. He hears no concerts, attends no art exhibits, participates in no discussion groups. He has no views on the questions of the day other than a continuing stream of verbose invective directed toward all those in authority.

In the realm of the spirit, he possesses no basic philosophy to which he may turn in times of stress. He has no sense of values that find expression in his life from day to day, values which others come to recognize and respect. There is nothing in which he believes strongly—not because he is intentionally antisocial or agnostic, but simply because he never pauses to think seriously about anything.

Lacking any fundamental purpose in his life, he has no guidelines for his conduct which he can follow from day to day.

If one could be forgiven the all but unpardonable sin of paraphrasing Shakespeare, one might say that "The quality of leadership is not strained." Leadership requires serenity—serenity that persists through periods of turbulent action and even of conflict, serenity that reflects an assurance rooted in deep and vital internal resources.

This quality is never lacking in the truly great executives of American industry. They must, of course, have fine minds and strong wills. Yet the power of their personalities finds expression through order and a self-discipline so immaculate that it is seldom apparent as a separable trait of character.

For example, they practice precision timing in all of their movements, though they do it unobtrusively. They are, quietly, always on time. They thus cause others to adopt punctuality as a way of life without ever declaring themselves about it.

When a visitor is shown in to a good executive, he finds before him a clean desk and behind it a man who is at ease, who makes him feel that this is the call he has been waiting for, and who listens attentively. Yet, subtly, the man behind the desk is in control of the interview all of the time and knows how to terminate it without giving offense.

The good executive also has a plan for his day. He knows what things have to be accomplished if the required tempo is to be maintained, and times himself accordingly.

Throughout the day, with deliberate speed he moves from one task to the next, making his decisions resolutely when he senses the matter has consumed the maximum period that can be allotted to it. There is no outward sign of inner struggle, and the job gets done.

He works a full day, though not an overly long one. When the normal quitting time comes, except for those sudden emergencies which no man can control, he will walk promptly out of his office with a sense of satisfaction at what he has accomplished. And in closing the door, he will put it all behind him. His evenings and his weekends bring him a change of pace.

Then, in company with his family and neighbors, he turns with high enthusiasm to other challenging interests that are totally unrelated to his daily routines. When he comes back to his job, both his body and his mind have been refreshed.

His ideas do not become inbred, because he spends a great deal of time with people who know nothing whatever about his business and who are not particularly impressed with his responsibilities. Many of them do not even know what he does, and would care less if they did. This helps him keep his own importance in perspective.

He has a zest for vacations. He knows that rotation of interest is as important to the productivity of the mind as rotation of crops is to the fertility of the soil.

He has the excellent characteristic of laughing well. His lively and infectious sense of humor lubricates all of his human relationships.

In short, the self-pitying, overworked executive is a man who presses badly. The fine executive is one who always takes a free, easy swing at the ball. END

The power of a great executive's personality finds expression through order and self-discipline so immaculate that it is seldom apparent as a separable trait of character.

When Companies Reach the Awkward Age

F. W. COPELAND

What should a small manufacturer do when operations reach a point beyond one-man supervision but not large enough to support an integrated organization? This is the period of adolescence separating the men from the boys.

Today there are thousands of small, specialized job-shops producing billions in total output. The small technical manufacturer renders such a useful service in handling semi-developed and short-run parts and assemblies that he has little trouble getting all the business he can handle. But the problems of growth strike before he has had time to gain management experience or capital. Then, like Mr. X—the composite character whose woes are chronicled here—the small manufacturer more often than not feels the pinch of corporate growing pains.

FIVE years ago, Mr. X was earning $20,000 a year as an engineer with a big defense manufacturer. Then he quit to launch the XYZ Company. It grew from a staff of three, working in his garage, to a force of 50 people turning out billings of $40,000 a month in a 10,000-foot leased shop. Getting orders was the easiest part of the operation. Mr. X could quote fixed prices on jobs that were headaches for a prime contractor because of mysterious "bugs," or because the quantities were so small. Purchasing agents were tickled pink to get the order off their desks, and a "fixed price" instead of "cost-plus" in their over-all cost estimates. Mr. X figured material cost at $50 per unit and quoted $500 apiece for a lot of ten. Nobody batted an eye. Then he devoted the brains and skill of a $20,000-a-year man to the task of designing and making a successful prototype. He worked, ate and slept with the problem until he either licked it or decided it was hopeless. In the first case, he had a good chance of getting the pre-production order of 100 units at $200 apiece. If he failed, he lost nothing but his own time and a little material. When he had a $20,000 backlog, he leased more space and hired a few people. In due course, Mr. X's special training plus the cut-and-try experience at customers' expense made him known as an expert in his specialty field. Inquiries and orders began to come automatically.

In flexibility and speed of quotation and delivery he could run circles around larger competitors, because he personally initiated, specified and implemented every phase of design, procurement, and production. He could quote a lower price yet make a wider margin of profit because he had no overhead except rent, utilities, and the salary of a part-time bookkeeper. Another advantage was in income taxes. If he considered it good business to charge off a 100 per cent tax reserve against work-in-process inventory and all drawings, special tooling, jigs, fixtures, and so on, and this happened to wipe out all or most of his operating income, nobody could challenge him, for there were no cost or turnover records to contradict his pessimism. (But if somebody asked him to put a value on his company for sale or merger, how fast those values soared!)

Mr. X enjoyed another extraordinary advantage—the microscopic amount of capital required. Since his operation consisted largely of assembling small, light pieces, his fixed assets were few and inexpensive. The principal outlay was for testing and inspection equipment, some of which could be borrowed, some bought second-hand and some included in the cost estimate of the first jobs and charged off accordingly. The only inventory required was for specific orders, self-liquidating on completion. Accounts receivable were low because the large customers were sympathetic, paid promptly or prepaid. Suppliers and even bankers gave very liberal terms of credit, hoping to win the gratitude of the little company if and when it orbited. Although it was impossible to figure the net worth of the XYZ Company, it appeared to be turning its capital ten to twenty times a year.

The Great Divide

When the company hit the 50-employee mark, Mr. X was unaware that he had reached a milestone—the limit of his capacity to do everything and boss everything himself and the loss of some of the important advantages of smallness. He did, however, realize that although he was enormously proud of his accomplishment, and rated locally as an industrialist, he was running breathlessly

on a treadmill. Mrs. X was complaining that for five years she had had no husband. His children hardly knew their father, and his doctor had hinted of ulcers.

Mr. X pondered three alternatives: to disregard the doctor and leave it to chance whether the business would expand or shrink, to cut back to a comfortable volume based on his personalized efforts, or to take the plunge —to think big, act big, grow big. Of course, he picked No. 3.

As a starter, Mr. X hired a "management consultant" with a degree from a famous business school, two years as a junior employee of a nationally known management firm, and three months on his own—admittedly young, but eager and cheap. Mr. X told him to study the picture carefully and bring in a complete set of recommendations for an expanded operation, based on an annual gross income of $1 million. "If we can do $500,000 a year with me doing all the selling, it's a cinch to do twice that with a real sales organization."

Man with a plan

The expert returned a month later with a 50-page report and a wall-size organization chart elaborately diagramming an impressive array of management functions. The book of procedures outlined in detail the exact duties and responsibilities of each department head and tactfully quoted from various reports that stressed the need for the president to delegate authority and refrain from breathing down anyone's neck.

The organization chart fascinated Mr. X, and it pleased his ego that it should take all these people to accomplish what he had been doing all by himself, but he was appalled at the prospect of spending so much money unproductively. Still, the expert showed him figures proving that billings of $80,000 a month, with a normal margin of gross profit, would absorb all costs and expenses and leave a net of 15 per cent before taxes. Groggy but game, Mr. X said he would buy the package—but would select the personnel himself.

The employment agencies were excited when he said he wanted five department heads immediately, though when he limited salaries to $500 a month, and said he expected "damned good men," the applicants seemed to fall into two categories: elderly men with long lists of jobs and lukewarm references, and young men with excellent references but in positions well below department head level.

When the smoke cleared, the XYZ Company had engaged five men at $500, two girls at $300, and one trainee at $200. Some 1,000 feet of additional floor space had been leased and two toilets added. There was a great deal of new office equipment, a switchboard, and an intercom system.

Although he suffered nightmares of apprehension, Mr. X kept his hands off the reins. Theoretically he was supposed to keep in touch through reports from the controller, but the latter was honest enough to admit that his monthly P & L reports and balance sheets were unreliable until his newly established systems of job-costing, perpetual inventory, depreciation etc., could build up a historical record.

One evening Mr. X was surprised to receive, at his home, a phone call from the loan officer at the bank. The officer asked him to drop in for a chat, without bringing the controller.

When Mr. X appeared the next day, the banker said: "Please understand, Mr. X, we have great confidence in you and only want your assurance that this tight-money situation is due to a temporary surge of business and is self-liquidating." Mr. X was deeply hurt and indignant. He explained in detail his expansion program and showed the forecasts of income and profit. The banker spent the next hour patiently explaining the difference between credit and capital. What the XYZ Company needed was a base of permanent capital, and since the amount would be in excess of collateral and beyond expectancy of early repayment, it should be considered "risk capital." If the company contemplated marketing proprietary items in addition to its custom business, this would mean substantial amounts tied up in finished inventory. And if the largest manufacturers in the country could not turn their capital more than three or four times a year, the XYZ Company had to figure on at least $200,000 net worth if they anticipated doing $1 million a year.

Waking up to realities

Mr. X staggered back to his office in a daze, called a staff meeting that included the management expert, and told them what the banker said. "What the hell have you done to my company?" he shouted. "It looks as if we were broke."

The management expert asked quietly, "Where is that income of $80,000 a month?"

The sales manager said, "How can I get sales when it takes a month to get a price and delivery to quote?"

The chief engineer said, "How can I design, or even write up specs when the sales department keeps me swamped with cockeyed inquiries? Why doesn't somebody sell something standard now and then?"

The production manager said, "How can I turn out production when the engineering department won't release specifications, the purchasing department won't bring in enough material, the inspection and quality control departments are always feuding, and the financial department keeps me so busy with paperwork that I can't get into the shop?"

Each department head had been so fearful of deviating from the system

How Small Is Small?

I have been impressed by the fact that smallness has many advantages, if the operation is planned and kept small. But anyone discussing a subject related to "small business" must first define what he means by "small." The Small Business Administration has recently stated that 95 per cent of the 4,684,000 businesses in the United States are now officially small. Presumably this excludes only the "untouchables," the big companies whom it is politically more expedient to attack than defend. The absurdity of lumping together the very small companies (more than 3 million businesses employ fewer than four people), the medium small, the small and the large-small (400 to 500 employees) is obvious but appears to be part of two carefully nurtured misconceptions: 1) that Uncle Sam is looking after most of us; 2) that a business has only to prove it is "small" to get long-term loans from the SBA, or equity financing from the nearest Small Business Investment Company. I prefer to define the "small" manufacturer as one who employs from five to 50 workers.

that he dodged taking any responsibility. Although the backlog of orders was building up to record figures, little was being shipped and all the cash was frozen in inventory.

Did Mr. X fire the lot and go back to one-man supervision? Did he keep on doggedly and go broke—or get an angel to finance him for a while? Or did he compromise by keeping one or two of the department heads, taking back from them the authority he had delegated?

In any case, Mr. X had to look for new capital unless he wanted to sell out or merge. It is a safe bet that he went to the Small Business Administration and asked for a long-term capital loan—and was quite properly turned down for lack of either collateral or an earning record. He probably went to one or more of the small business investment companies for a debenture loan and was told that his operation did not have enough glamor to assure a resale market. The investment bankers shied away when they saw his figures. He flirted with a small-issue specialty house, but backed down when he learned the cost. Private investors offered him the capital he needed but demanded a straight equity position and control (Mr. X said he would "burn down the plant first"). If he did solve his problem it was probably via a face-saving compromise: For a substantial sweetener in free common stock, an outsider loaned him the money on a term basis, retaining control until repaid. Under this arrangement, Mr. X kidded himself that surrender of control was only temporary.

The root of the trouble

Mr. X was not a stupid man. His mistakes were due to wishful thinking, oversimplification, and possessiveness. What could have appeared more coldly logical than the assumption that if he was turning away as much business as he was accepting he could double his volume by doubling his production force? The expense scared him, but the cleancut figures of the expert would be impressive to any layman, particularly when they confirmed his aspirations. Nor should he be blamed for ignoring the need for an expanded capital base under expanded volume: He had been besieged by "deal men" hinting they could raise $299,000 for a third interest, and by mystery men representing undisclosed principals with unlimited funds to invest. Even his bank had phoned him periodically to ask if he couldn't use more credit.

It is doubtful that any one had risked Mr. X's displeasure by preaching two simple facts of business: 1) It takes money to make money, and if the owner's ambitions carry him beyond his own personal resources, he must attract outside money by offering inducements comparable to the risk. 2) Good management is as important as capital, and when an operation gets too large for one-man dominance it must be strengthened from the top down, not from the bottom up. The $500-a-month departmental worker is as essential to a manufacturer as the non-com is to the army, but in today's market, one can not get a proven, competent executive for that figure.

But if Mr. X ruined his company by too much salaried overhead, how can he be criticized for not employing bigger men? The answer to this apparent riddle is that if, instead of Mr. X and five subordinates, the XYZ Company had had two topnotch men of Mr. X's caliber dividing the functions of engineering, sales, production, and finance according to their respective aptitudes, they could have kept up the skills, flexibility, and speed of the company. They could have continued doing this until the force had reached 100 or even 150. And there is a strong probability that Mr. X could have found his counterpart in a junior executive in a large company—who, for a chance to bet on himself, would have been willing to accept a 50 per cent cut in salary.

For a small manufacturer the problems of acquiring growth capital and executive help are not insurmountable if the owner is willing to share with both investor and executive the possible fruits of success. But the possessive owner who insists on retaining all the glory, all the profits, and all the ownership can only succeed if the glory, profits and ownership are kept small. END

The ABC's of Expansion

Many a tycoon will say that he owes much of his success to what he learned from his first bankruptcy. There is no better teacher than experience—but it is still unfortunate that so much time, money, effort, and illusion are wasted by young pioneers who go broke and have to start all over again because nobody taught them the fundamental rules of business:

- It takes money to make money. A substantial increase in the size of any business calls for more capital, and if the owner cannot supply it, he must solicit outside investors. Any program of raising capital should go after an amount that will tide the company over a period of deficit operations as well as expanded volume.
- When the owner accepts impersonal capital, he must adopt an entirely new philosophy as well. It may be that the new stockholders will be humble sheep who never question or criticize, but smart management will put someone on the board of directors to share responsibility. An educated director is better than a troubleshooter sent in later by disgruntled stockholders.
- Instead of introducing more system than the company needs, more overhead than it can afford, and depriving the company of his personal talents, the owner should hire an associate who is strong in the areas where he is weakest. If they divide the executive duties between them, each can be planner, supervisor, and doer in his own bailiwick. Systems and subordinates can be added as the business grows.

A former company president, the author since retirement has carved out a new career as a Pasadena management consultant and writer.

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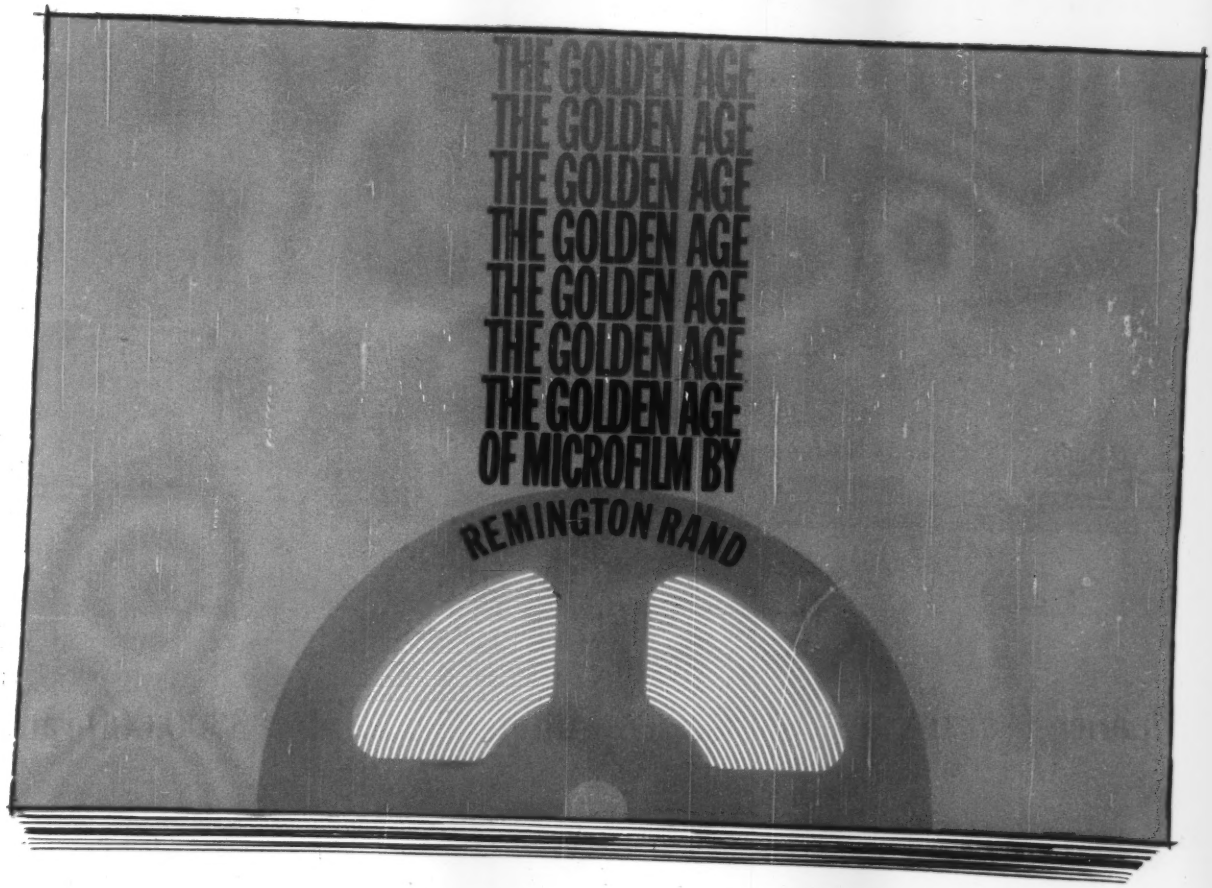

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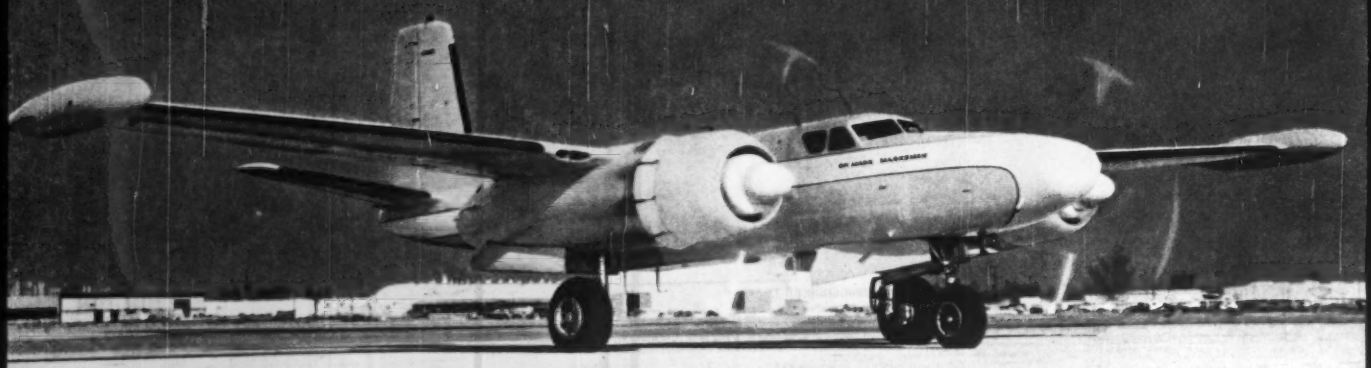

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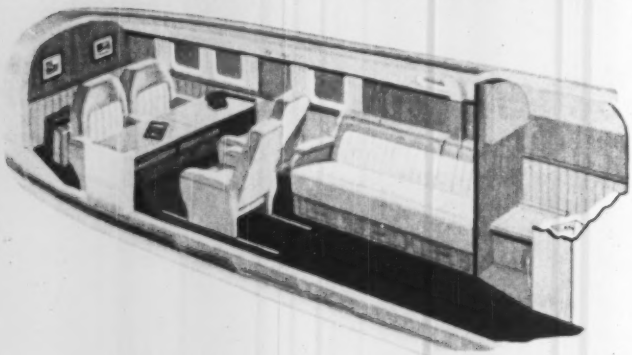

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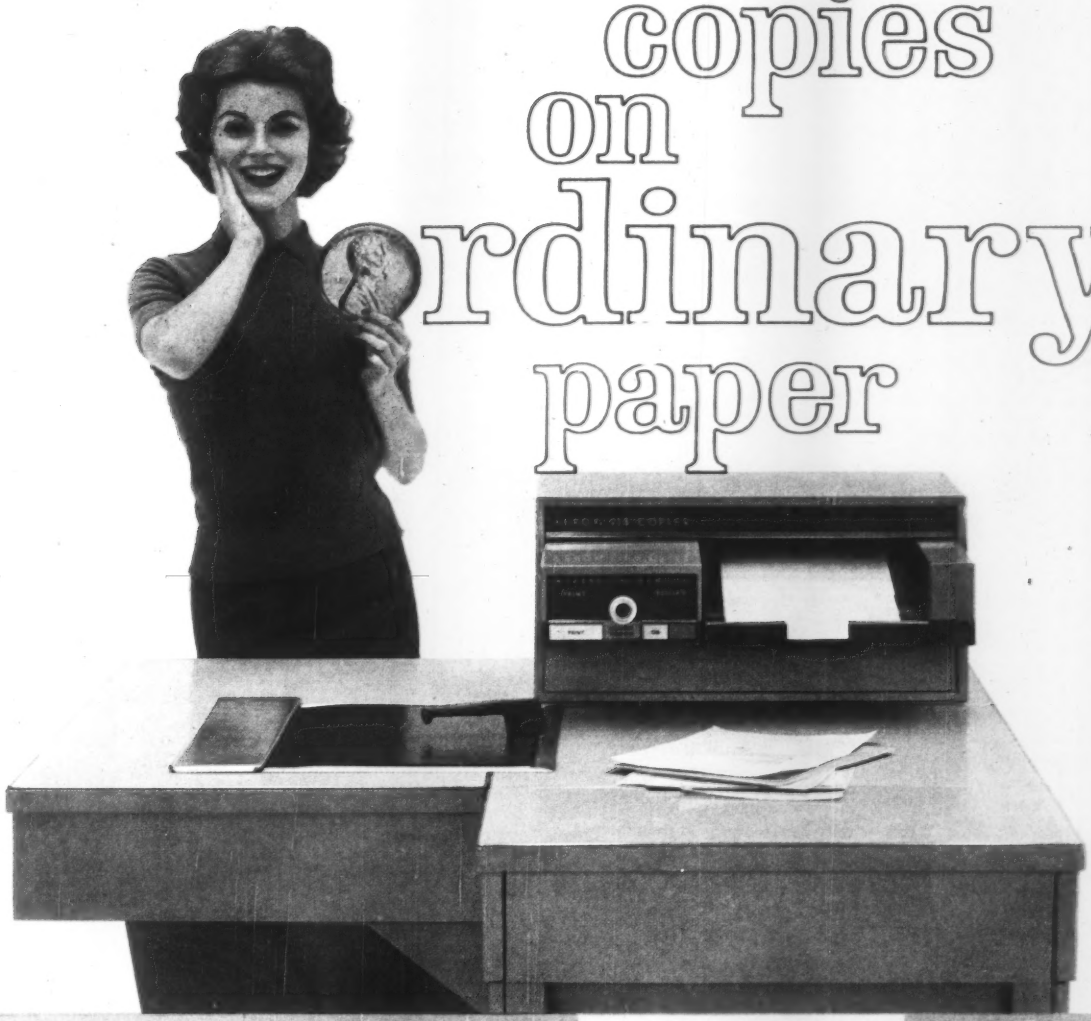

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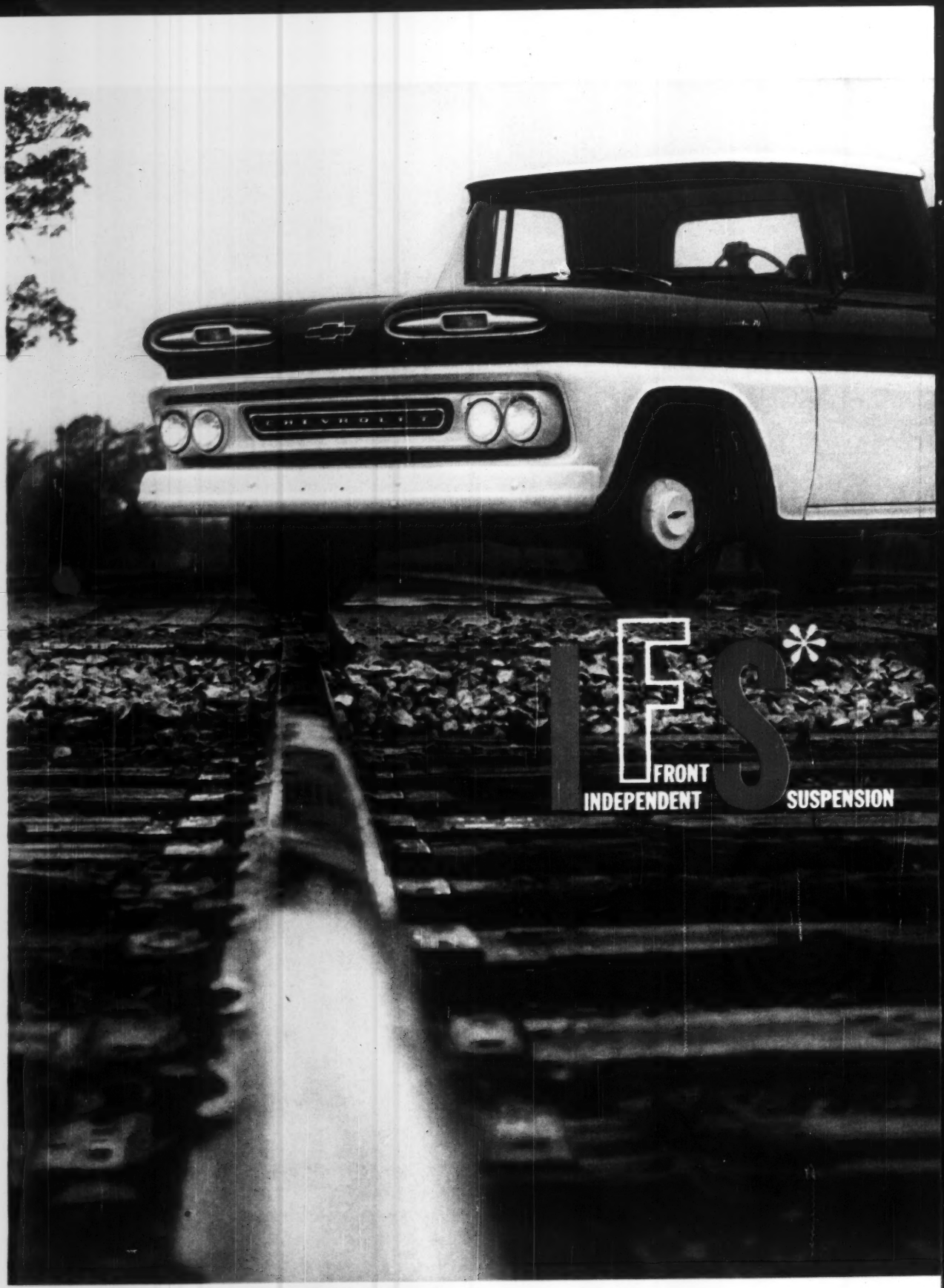
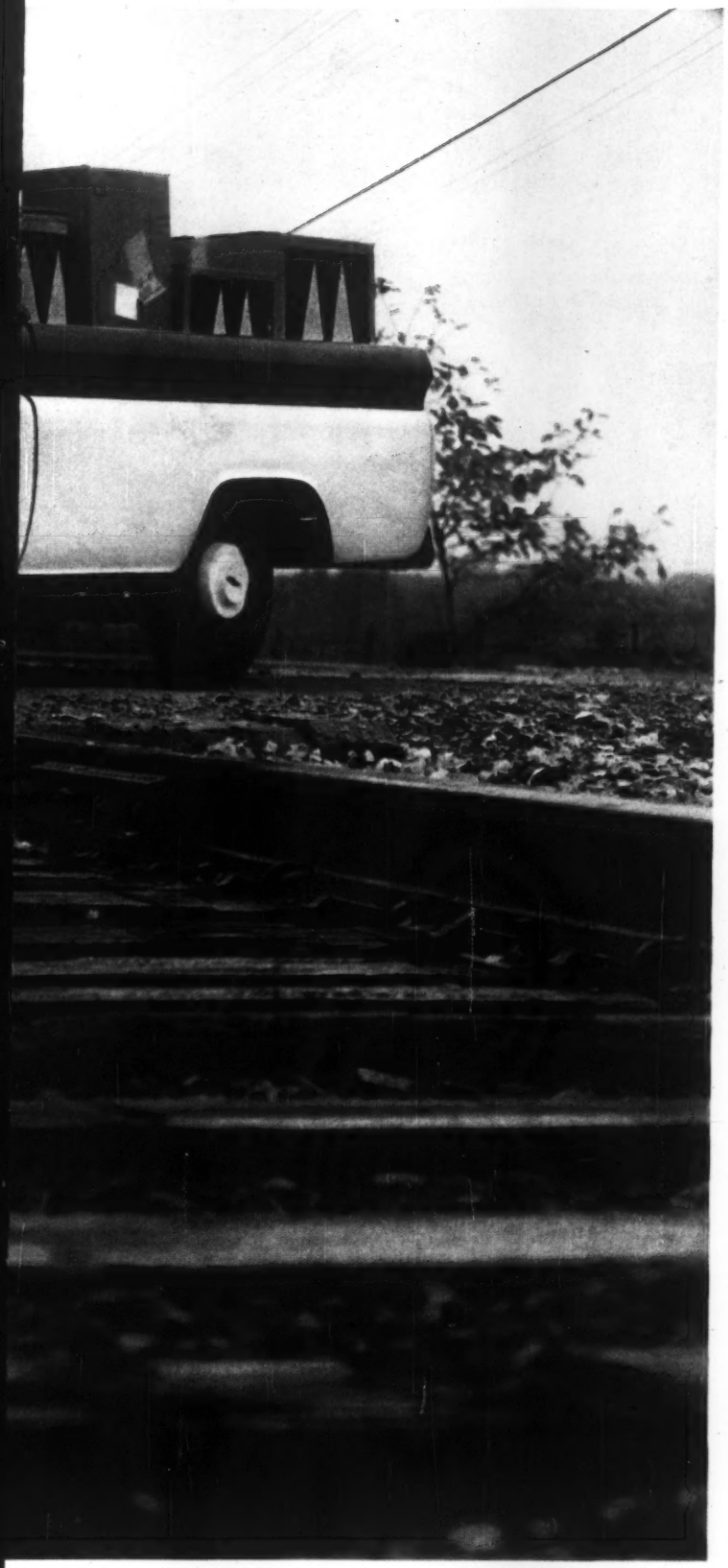


*Independent Front Suspension, owner-proved on over 300,000 Chevy trucks.



FLEETSIDE—style leader of the industry's most popular string of pickups!

ROUGH TOUGH ROADS DON'T FAZE A CHEVY WITH I.F.S.*

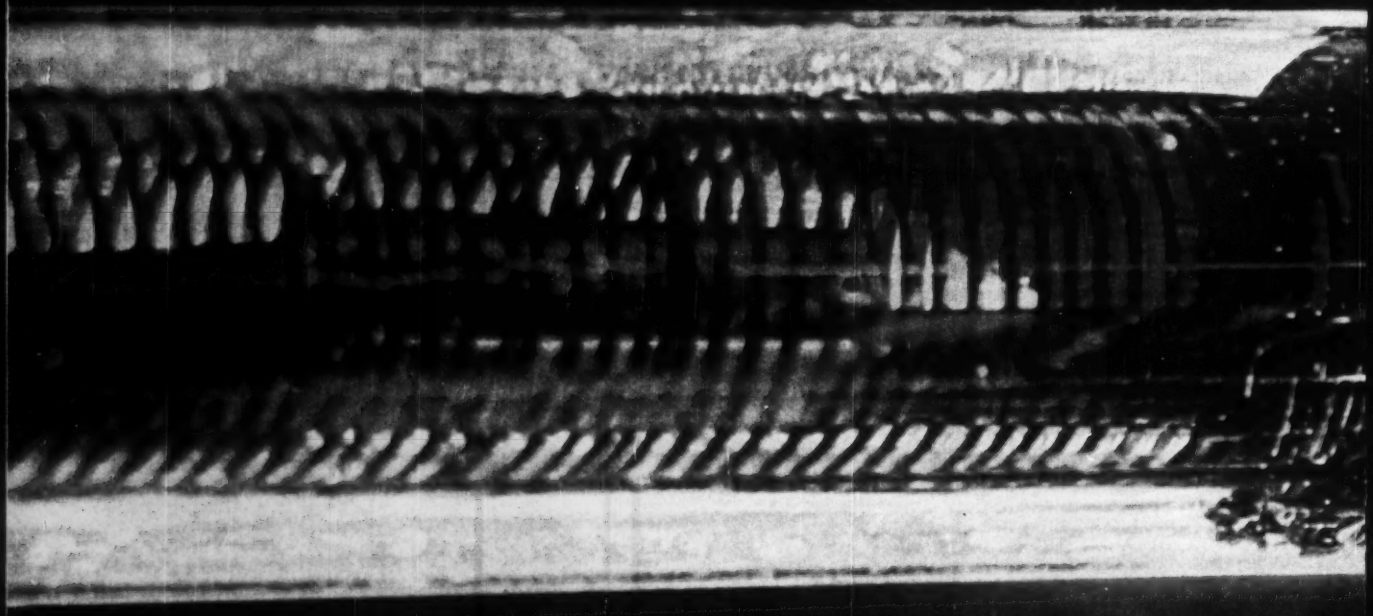
You know the kind of road. It bounces the daylights out of you and you have to creep to keep the truck under control. Well, cruise a Chevy over the same stretch and find out what Independent Front Suspension (I.F.S.) is all about. You feel the difference in the seat of your pants and the palms of your hands. You're able to maintain faster safe speeds and still ride steadily. You can take the test in any size Chevy I.F.S. truck. One's as smooth riding as the next. Independent Front Suspension smothers as much as 78% of all objectionable road shock and vibration before they can reach the cab to wear out the driver. Before they can cause damage to the load. Before they can start to twist and tire out the truck's body and sheet metal. End results: lower maintenance costs, longer truck life and a lot happier drivers. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

60 Series Middleweights feature big 261-cu.-in. Jobmaster 6 as standard equipment.

With Chevy's INDEPENDENT FRONT SUSPENSION design (at left) each wheel flexes independently, keeps the truck and the load virtually level with the road; minimizes tire abuse as well as stress and strain on chassis, body and sheet metal. The ordinary I-BEAM FRONT AXLE (at right) is the type most other trucks still have—a stiff-beam design that can't help but transmit road shock and vibration from one wheel to the other and right up through the chassis, the cab and the load.

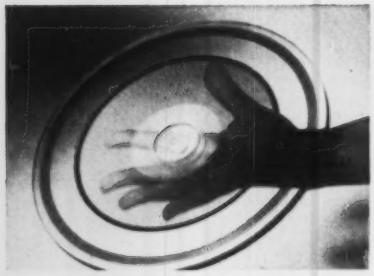
THEY WORK HARDER BECAUSE THEY RIDE EASIER

CHEVY I.F.S.* TRUCKS



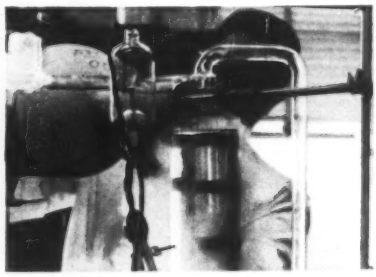
At IBM Research Laboratories

This "hothouse" grows crystals..

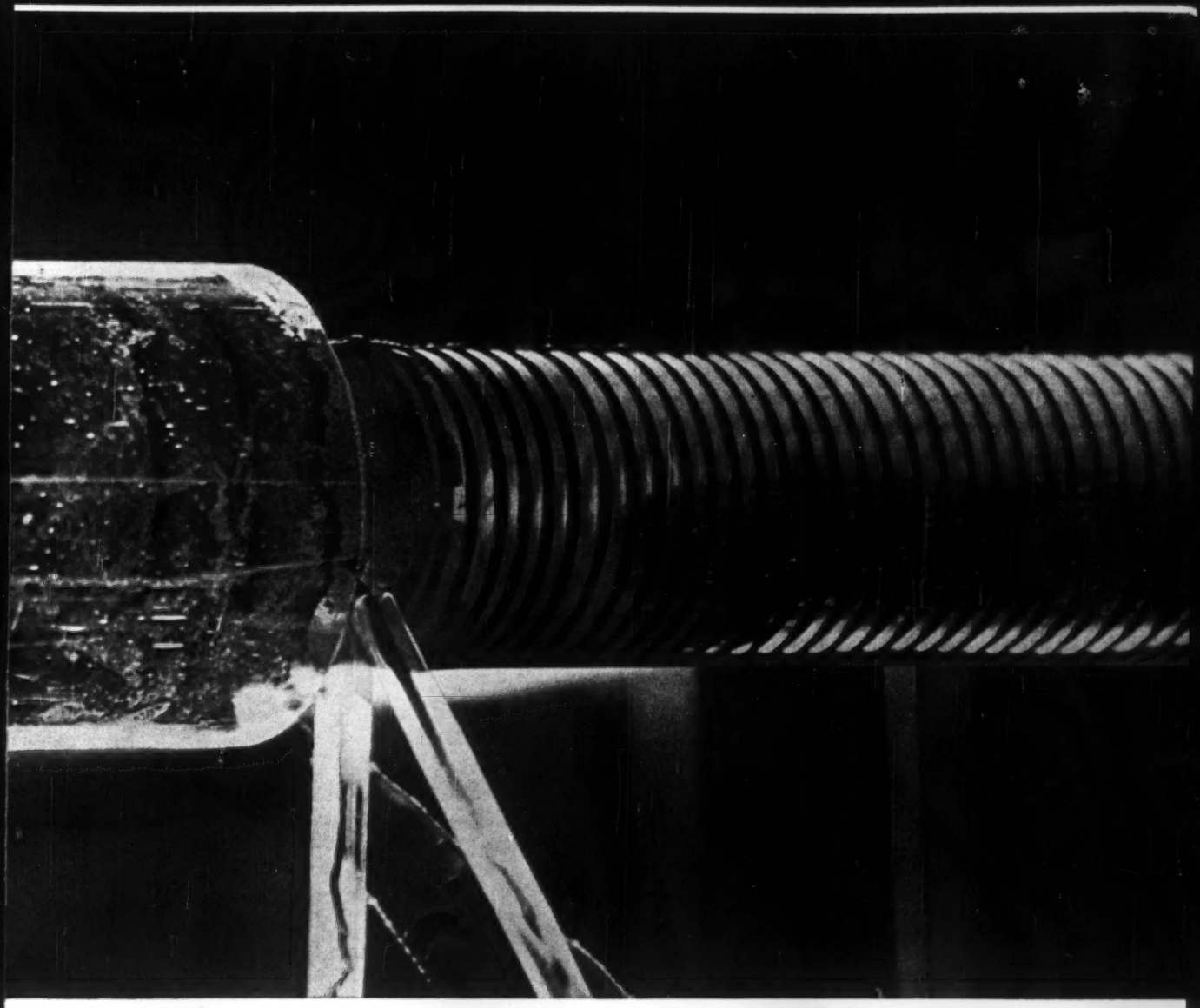


BREAKING THROUGH THE LANGUAGE BARRIER. An experimental IBM translator developed for the Air Force has been translating Russian into rough but understandable English for more than a year. Above is the machine's rotating "memory" disc. It provides the machine a vocabulary in excess of 2 million words and phrases.

DESIGNING THE BEST MACHINES FOR MAN'S USE. IBM Research seeks better ways of bridging human and computer capabilities. Above, a research psychologist studies human reliability and error making in perceiving patterns, including number patterns, one of the many fascinating subjects under constant investigation.



SUPER-COOLED METALS SPEED RESPONSE. In general the resistance of metals decreases as the temperature is lowered. However, there are certain metals called superconductors, the resistance of which drops abruptly at a critical low temperature characteristic of the metal. Taking advantage of this phenomenon, IBM researchers have made devices with on-off, or switching, speeds of 2 billionths of a second!



to shrink future IBM computers

Men have been *making* electronic parts for years. Today, IBM research scientists are *growing* them!

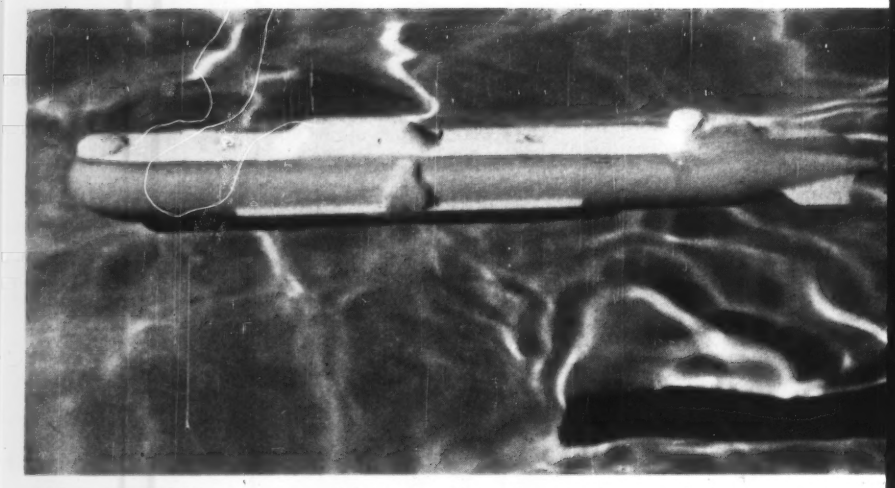
Inside this quartz tube, in an atmosphere of active gases, component parts are built atom by atom, through a process called vapor growth.

It's an intriguing process—but even more interesting is the promise that tiny, vapor-grown electronic components hold for tomorrow's computers. Data processing systems could be smaller, for one thing. And they could do a wider variety of jobs, work faster, and lower the unit costs of processed data.

"Shaping tomorrow in a quartz tube" is only one of the pioneering and creative projects that keep our research people busy. At the left you'll see some other current projects. All are exciting possibilities for solving problems tomorrow—and all are examples of the technological leadership that helps make possible the advanced IBM systems you use *today*.

IBM®
DATA PROCESSING

Inside Industry



MODEL APPROACH: *A scale-model of a "sulfur submarine," a revolutionary new way to ship this vital raw material, undergoes stability tests at Southwest Research Institute (see story).*

Foreign Patents Costly

Don't file for foreign patents on innovations developed here unless you're pretty sure of a cash return or large sales. This is the gist of what three experts said at a panel discussion on foreign patenting problems at the recent annual meeting of the Manufacturing Chemists Association in New York.

R. W. Ball, senior attorney of E. I. du Pont de Nemours & Company, Inc., D. C. Harrison, general patent counsel of Union Carbide Corp., and Austin J. Phillips, of the patents and licenses department of American Cyanamid Company, all agreed on the dangers of a "shotgun" approach to filing foreign patents.

Ball claims that the average large American chemical company has 12,000 to 15,000 pending foreign patent applications and foreign patents in force, and that each year it spends money in six figures on maintenance fees, plus a total running into seven figures for its foreign patent program. In Germany, for instance, total renewal (patent maintenance) fees to keep one patent in force for its full life run to about $2,500. And the company still has to pay a local patent agent a fee for handling these renewal fees!

In judging whether to file a foreign patent or not, Phillips urged that company executives keep all the possible purposes and benefits in mind. These are:

- To insure freedom on the part of the patent owner *and his customers* to sell and use the patented invention
- To obtain protection or freedom for the manufacturing operations of a foreign subsidiary
- As a means of preventing unauthorized local manufacture
- To "buy" freedom of operation for a U.S. company or its foreign subsidiaries by cross-licensing interfering foreign or U.S. patents
- To obtain royalty income.

Once these benefits are understood, American companies can set up intelligent screening systems to cut down on wasteful foreign patent applications. Harrison of UCC claims that effective screening will cut foreign patent costs by 75 per cent—without passing up important advantages.

A good screening system should answer the following questions:

1. Will the invention be of enduring importance?
2. Where does it have applicability overseas?
3. What are the chances of making profitable use of a patent in a particular country?

Harrison recommends that the screening group be made up of a foreign business expert, an attorney, and a domestic technical expert. A decision to file should be made not longer

- *American companies are throwing money away on foreign patents, experts charge.*
- *Regional institute benefits industry all over the United States.*

than nine months after the U.S. patent is filed, and the sooner the better.

As examples of how decisions to file may be reached, Harrison cited a fictitious group of excellent insecticides. If one of them requires a complex manufacturing process, file only in highly industrialized countries. If the second calls for only a modest capital investment in production facilities, it would be well to file in every country with a patent system. On the other hand, if the third can be made in a large kettle, don't file at all overseas, because you couldn't police the patents.

Enforcing foreign patents is a complex job requiring considerable expense and know-how. Even warning letters to infringers must be carefully composed, or the company may be subject to a libel suit.

On the other hand, justice is easily gained in certain countries. For example, in Portugal a local attorney can arrange for customs officials to deny entry to an infringing item.

Changes in the patent laws of the six Common Market nations are under consideration. If the day ever comes when a single patent covers the entire Common Market, filing and maintenance charges should be slashed.

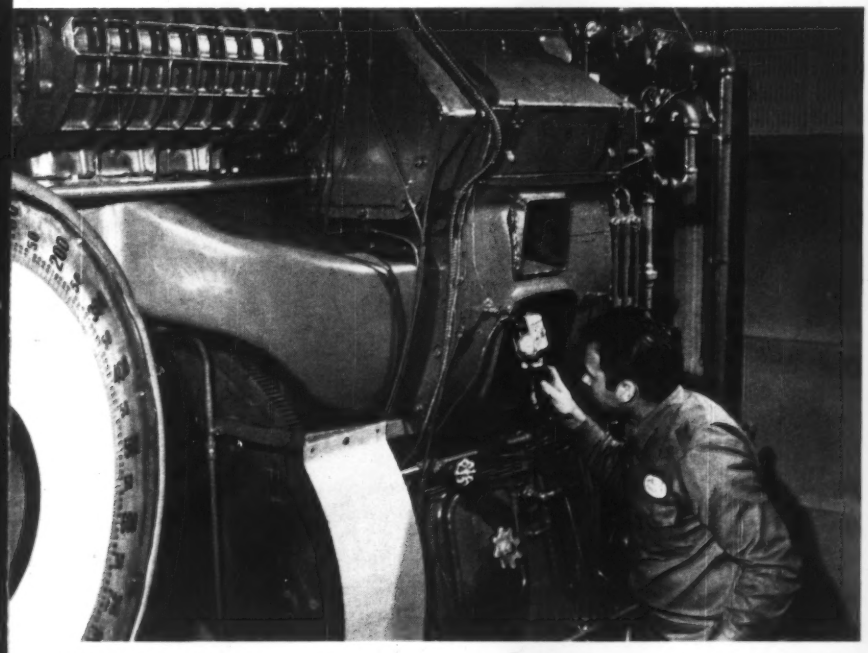
As the undeveloped nations push towards industrial maturity, there may be considerable modification of all foreign patent laws. Unfortunately, few of these new nations seem to support the American position that patented inventions should not have to be worked. As long as this is true, it makes good sense to pay the heavy charges only for patents that have immediate practical applications.

Research Blossoms in Texas

Sulfur submarines, gasoline engines that need almost no oil, improved gas-fired air conditioning, dual fuel systems for large diesels, automatic nondestructive tests for gas transmission line pipes! These are just a sampling of the many research projects at Southwest Research Institute, San Antonio, Texas, that may have considerable impact on our industrial economy.

The most imaginative project at SWR is the one aimed at developing new ways of transporting sulfur, one of our vital raw materials. Most sulfur is taken out of the ground in molten form, and piped to open storage vats, where it hardens into a solid mass. It must then be broken up for handling before shipping.

To cut costs and time, Dr. H. N. Abramson and John M. Dole of SWR have proposed a dramatic sulfur submarine. The molten sulfur would be



DUAL FUEL: *This two-cylinder Electromotive diesel is the subject of advancing studies on using low-cost LPG for the nation's locomotives, (see story).*

SOMETIMES IT PAYS TO BE NARROW MINDED

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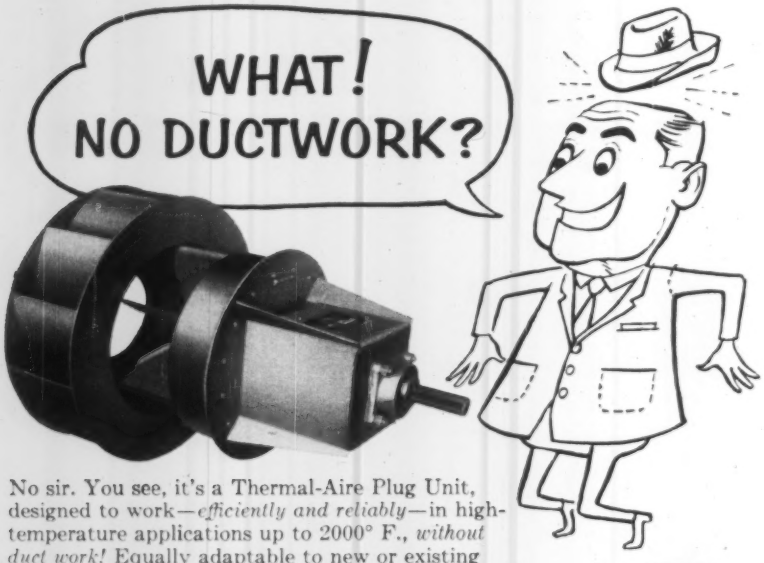
Magliner Mobile Loading Ramps



No sir. You see, it's a Thermal-Aire Plug Unit, designed to work—*efficiently and reliably*—in high-temperature applications up to 2000° F., *without duct work!* Equally adaptable to new or existing furnaces, ovens, kilns, etc., Thermal-Aire Plug Units are quickly and easily installed. Provision of a hole in furnace wall to receive the fan wheel is the only requirement. Then simply bolt the unit in place for dependable, low-cost air circulation . . . matched to *your* job requirements.

■ *Write today for Bulletin 960*

THERMAL-AIRE PLUG UNITS

Garden City Fan & Blower Co. *813 Eighth St.* *Niles, Michigan*

piped directly to a port, where it would be poured into a mold in the shape of a submarine. When it hardened, the sub and its sister "vessels" could be towed in tandem by a sea-going tug—not unlike some of the experimental methods for transporting oil.

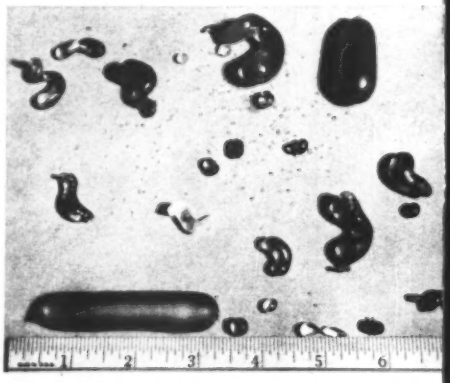
Since sulfur is insoluble in water, there is less danger of contamination than by present shipping methods, and compressive strengths—higher than concrete (which has been employed successfully to build sea-going barges)—protect it from breaking up in storms.

The Institute's research engineers are also making steady progress towards a system for using liquid petroleum gas in diesel locomotives (see "Boom in LPG," DUN'S REVIEW, November, 1959, page 106).

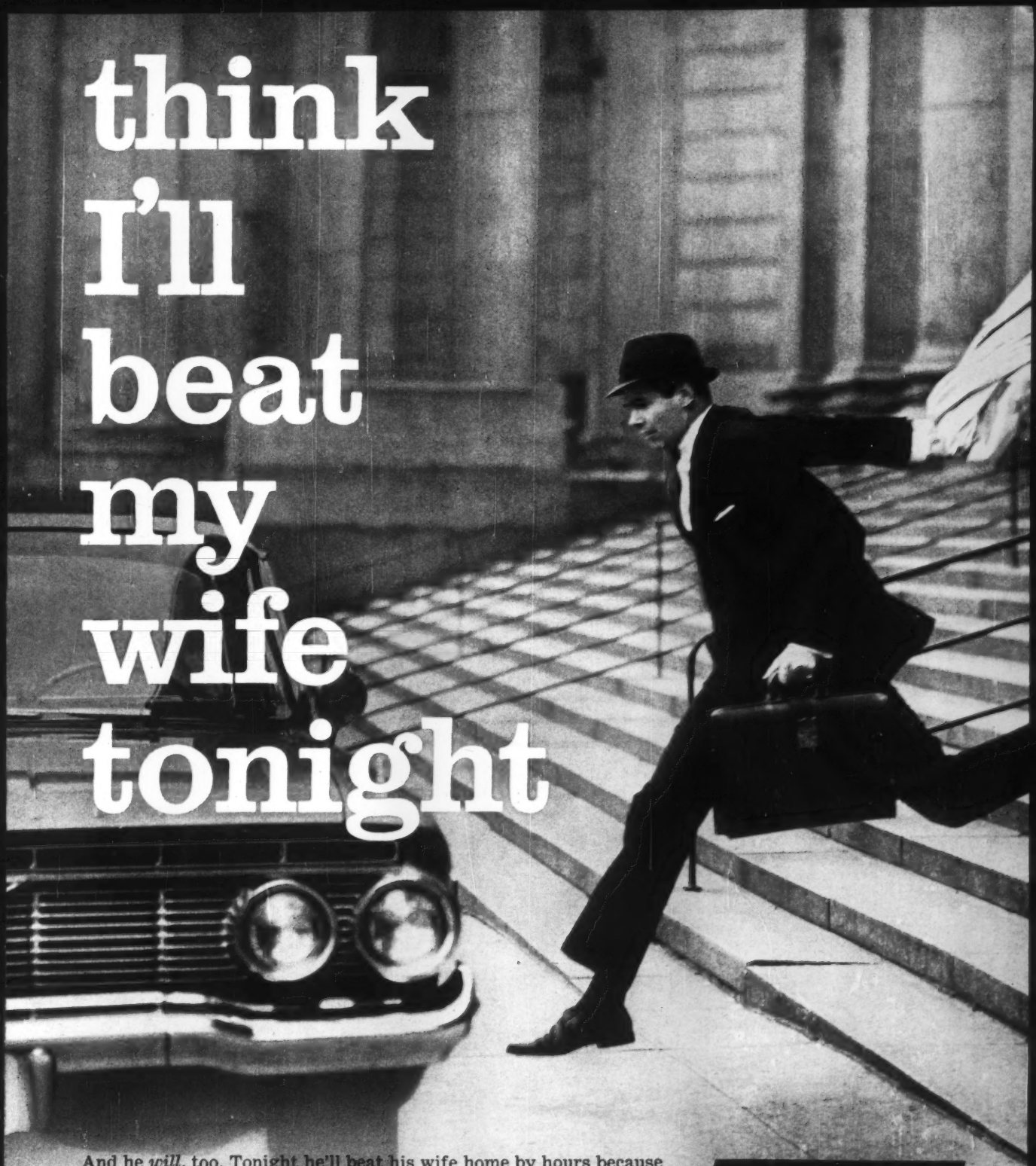
The purpose of the research: Since LPG costs about half as much as diesel fuel for the equivalent amount of energy, success could provide substantial economic benefits to the nation's harassed railroads. The same group has also developed a new piston-and-ring combination for small gasoline engines that cuts consumption of lubricating oil by an impressive 85 per cent.

At present, Southwest Research Institute is the only non-profit research organization in its region, but there are movements afoot to found a similar institute in neighboring Louisiana, which should help make the Gulf States even more attractive to industry, while adding steadily to the nation's real Fort Knox: technology.

—M.M.



DOT WITH DASH: *Fuels and other liquids in capsules developed at SWR. These capsules have many potential military and commercial applications, including use in storage.*



And he *will*, too. Tonight he'll beat his wife home by hours because today he learned what smart executives in a hurry already know: you save time when you rent from Hertz. With Hertz you get where you want when you want, on or off the beaten track. Next time *you* need a car, call Hertz or your travel agent. Hertz has more offices by far where you can rent or reserve a new Chevrolet or other fine car.

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Its six self-loading trailerships provide a continuous, cost-saving ocean link between the highway systems of the Northeast, Florida, Texas and Puerto Rico.

Its 4,000 giant 35-foot trailer units serve as safe, secure shipping containers for goods of every conceivable kind, straight through from the shipper to the consignee.

For every shipment, whether truck-load or less than truck load, Sea-Land offers dramatic savings—in rates, time, packing and marking, handling, pilferage and damage losses. It can save for you.

For further information, write Sea-Land Service, Inc., P. O. Box 1050, Port Newark, New Jersey. There are Sea-Land offices and agents in principal cities throughout the country.

One of the two Sea-Land designed gantry cranes, carried by each trailership, lifts a 35-foot trailer body from its chassis as precisely and delicately as one would a box of eggs. Sea-Land trailerships carry 226 trailer units . . . can load and unload in twelve hours. In unloading, trailers are placed on waiting chassis—immediately dispatched to consignee.

PHOTOGRAPH BY NICASTRO

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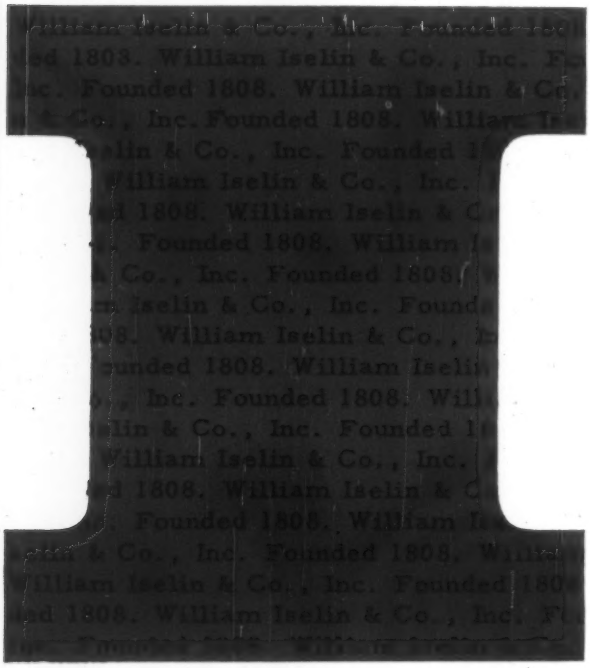

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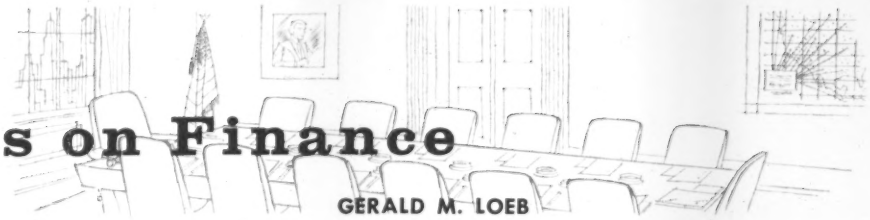

Focus on Finance

GERALD M. LOEB

"Swap Stocks"

» *Executives find a new way to diversify holdings and cut taxes.*

» *What's the impact of public relations on your company stock rating?*

MANY a corporate executive will soon have occasion to investigate the pros and cons of the "swap stock." Shares of new mutual funds issued in exchange for blocks of stock, rather than for cash, they have mushroomed in popularity since their introduction last year. Some eight issues have been sold or are being contemplated. In one case, the underwriters, who were originally shooting for a $25 million fund, have seen subscriptions come in so fast that they may end up with ten times that amount.

Swap stocks are particularly popular with executives since many hold substantial blocks of stock in their own companies through merger, exercise of stock options, and the like. This may pose a problem for the man who has his salary, his future pension, and a good part of his capital all tied up in the same place. There is the further question as to whether the corporate officer wants to appear as a substantial shareholder on every proxy form his company sends out.

Mutual fund people have found a section in the Internal Revenue Code which permits tax deferment on the swap-stock exchange. When you swap stocks, the exchange is made with no immediate payment of capital gains tax.

This is how it works: A new fund is set up and publishes a list of eligible securities. Investors holding more than a certain amount of any of them are invited to deposit them with the fund. (The usual minimum is around $15,000 in market value.) They will be held in escrow for a certain period, at the end of which each depositor is sent a list of the escrowed securities in the proposed final portfolio. If it is acceptable, he consents formally to the transaction and in exchange for his stock receives shares in the mutual fund with the same market value. An exchange commission is charged, computed on a sliding scale. Currently, it starts at around 4 per cent of the amount exchanged and diminishes as the amount increases.

No tax is payable at the time of the exchange. So far, this tax deferment has been authorized by the Internal Revenue via a blanket ruling for each fund, but such rulings may be harder to obtain in the future. If this becomes true, each investor would have to check his position individually with the tax authorities, and the process of exchange would become that much more cumbrous.

The tax liability begins as soon as the new fund's management begins to balance and adjust its portfolio through sales and new purchases. The realized profits are paid out to the fund's shareholders, who must then declare the capital gains distribution received and pay tax on it. The individual investor has, so to speak, pooled his tax liability.

In actual practice, an investor who has clung to an excessively large personal position because of reluctance to pay the capital gains tax is likely to hold on indefinitely as long as he retains his original holding. If he exchanges into a swap-stock fund, he has a very good chance of paying his capital gains tax by annual instalments. In a way, this is a good thing. It takes the hold-or-sell decision out of his hands and transfers it to professional managers who are not emotionally involved or affected by individual tax considerations. It makes the tax bite easier to bear.

Probably the investor will offer for exchange a block of stock which he holds at a very large profit. This might be part of a diversified list, but more likely it will be a disproportionately large holding, acquired in any of several ways—prior sale of his own company in exchange for stock of another company, inheritance, exercise of stock options.

It should be noted that the swap-stock fund is not ideally planned for current investment. Most of the stock tendered for exchange is held at a very large profit—otherwise, there would be no tax incentive for the investor. Sometimes this doesn't matter. The stock may have been bought years ago, and the capital gain may simply reflect normal growth in sales and earnings. In other cases, the stock may have been bid up excessively because it belongs to a fashionable group. The outcome, in general, is that the investor exchanges one high-priced stock for a stake in many high-priced stocks. There may, of course, be advantages in this kind of diversification, for if you hold only one high-priced issue, it can turn out to be precisely the one which declines independently of the market.

Costs must be a consideration when you swap stocks. There is the initial exchange fee, and on a continuing basis there are management fees, custodian fees, commissions paid by the fund to brokers when securities are bought or sold, etc. Then again, the exchange fund, unlike most mutual funds, is likely to charge a fee

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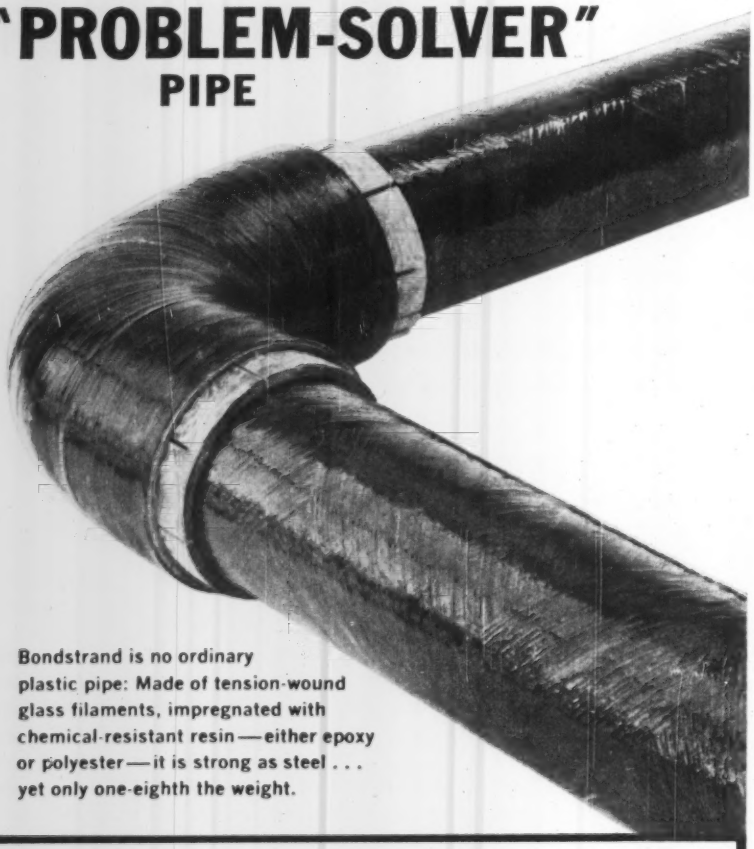

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Carbon black slurry destroyed schedule 40 steel pipe in 30 days	Synthetic Rubber Plant	Bondstrand installed 1959. No failure. Performance still rated excellent
Chlorine Dioxide water caused failure in stainless steel pipe	Paper Plant	Bondstrand installed 1958. Performance still rated excellent
10% Ferric Chloride solution destroyed ordinary steel or stainless	Sewage Treatment Plant	Bondstrand installed 1958. Performance still rated excellent
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when its shares are tendered for redemption. This might run 1 per cent or so of the net asset value. (Incidentally, there may be special occasions when the fund refuses to redeem its shares for cash and will do so only in kind.)

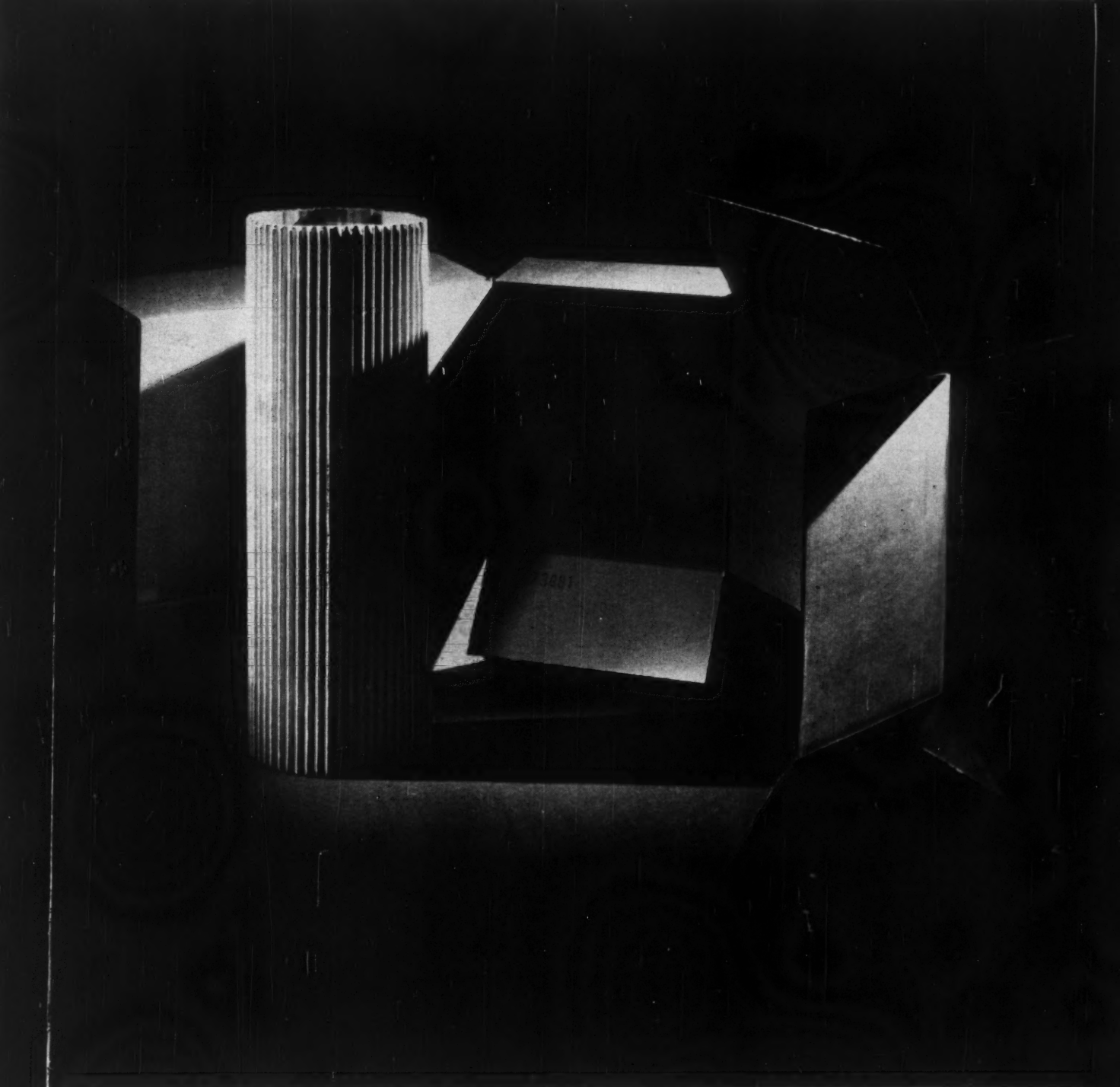
From an investment point of view, there are pluses and minuses. The big, obvious plus is the opportunity to diversify, as compared with holding a single stock one considers overpriced. This has its advantages, even though all or most of the stocks involved may have a generous stock market valuation. Less generally understood, but also a plus, is that the investor delegates his worries about taxes and timing. He is forced into gradual liquidation, and gradual payment of the capital gains tax—whereas, left to himself, he might postpone the decision indefinitely, against his own best interests.

The minuses are the initial cost and the continuing management costs, as well as the loss of personal control over a part of one's holdings—though in one sense, this can work to the investor's long-term profit.

Income will not often be a consideration. If you have so large a capital gain on a stock that you would think of tendering it, it will probably be yielding comparatively little anyway. Most of the new funds will qualify as regulated investment companies and will distribute dividend income in full regularly, but income will probably be small in relation to the market value of the portfolio. Realized capital gains, if any, will be distributed to shareholders.

There is talk of a swap-stock fund in the planning stage that is being designed for the income investor. Presumably its list of eligible securities will emphasize percentage yield at present market prices. It is not easy to foresee heavy tenders to such a fund. There are not many stocks now offering good percentage yields which are widely held with substantial unrealized profits. But there are some. Certain steel and oil stocks come to mind which were popular with farsighted investors fifteen or twenty years ago. Still, it would be unwise to look for improvement in income via the swap-stock route.

The investor contemplating a swap should study the past record of other funds handled by the same management. This is a valuable clue, though not in itself a sufficient guide to the



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Then it assumes new meaning. If you build them, terms like finger jig, fluffing, splicing on the fly, kiss impression, and dancing roll become meaningful. If you buy them, compression, impact, drum, drop, and tumbling tests are important criteria. But to consumers, a box is a box. Your customers are only aware of the products they buy being intact, and undamaged, and scratch-free. For 41 years Hoerner has been conscientiously designing, and manufacturing corrugated containers for companies who like satisfied customers.

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future. Managements differ in competence, in sophistication, and in courage.

This last quality is particularly important. Courage will be required to chip away at the initial portfolio, face up to the tax problems, and convert the fund into a real vehicle for intelligent investment, rather than a catch-all.

Of one thing there can be no doubt. The tax-deferred exchange funds, though new and unseasoned, are riding a sharply rising curve of acceptance and popularity.

Financial Public Relations

"And in conclusion," the broker's memo read, "it is conceivable that the company has cleaned house and that henceforth there could be a turn for the better. My mental reservation against buying the stock is that I am not able to convince myself that the management of this company appreciate that they are a publicly owned corporation and should conduct themselves accordingly."

I have written on this subject before. Its importance to corporate management and stockholders alike is so great that it bears endless examination. Only the other day a corporate officer told me that he needed diversification through acquisition, but that his shares were selling at such a modest price-earnings ratio that he could not afford to exchange.

Another facet of the situation was covered in the broker's memo: "No matter what you may have heard, public relations really begins in the executive suite. We know chief executives who are so astute at building good will that they can function effectively almost without assistance. We know others who could not be helped by a platoon of public relations men. Yet when topside skill combines with intelligent use of modern public relations tools, you wind up with a very nice parlay and very likely a preferred investment on Wall Street."

Any management of any publicly owned company that may need new financing or may possibly enter into a merger should realize that top-level consideration of this topic is a must. Other managements should consider their stockholders' right to expect a fair valuation for their shares in the event of personal need to borrow or liquidate. END

CONTROL

"WE MADE AUTOMATION WORK WITH MOORE BUSINESS FORMS"

Vice President John M. Diggs
of American President Lines,
one of the many businesses that
build control with Moore Business Forms

A ship's manifest is an easy document to read, but a difficult one to prepare. American President Lines, with 30 cargo-liners carrying 12 passengers each plus 5 passenger liners, processes mountains of statistics—inquiries, bookings, cargo reservations from 'round the world. Into San Francisco headquarters funnel facts and figures to sift, interpret, summarize and even translate from foreign currencies and weights. Once this took 300,000 hand postings a year.

But automation has won astonishing gains in time, accuracy and workability. A ship's manifest is now updated daily. Even after sailing, radioed reports tell the ship what to expect in cargo and passenger changes at its ports of call.

On the management side, reports appear with revolutionary speed: performance summaries in only 7 days; revenue reports in 10 days instead of 8 months. Specially designed Moore forms are the Line's control in print.

"We appreciated the intelligent help and sound advice on forms control the Moore man gave us," says Vice President John M. Diggs of the Passenger Department. If you would like to build control like this, for a large or small business, you'll find the Moore man listed in the telephone directory. Call him or write the nearest Moore office.

MOORE BUSINESS FORMS, INC., Niagara Falls, N. Y. • Denton, Texas Emeryville, Calif. • Over 300 offices and factories throughout the U. S., Canada, Mexico, Caribbean and Central America.

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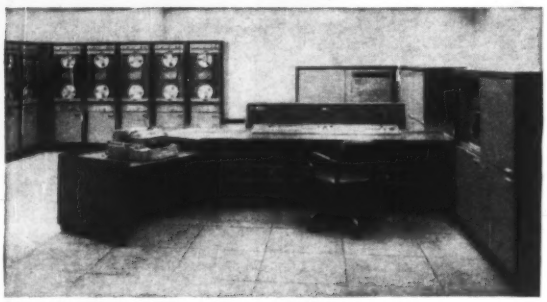
FOR RESEARCH, DEVELOPMENT AND MANUFACTURING
OF ELECTRONIC DATA PROCESSING SYSTEMS

From this ultra-modern computer center, Philco is providing business, industry, science and government with the most advanced Electronic Data Processing Systems, such as the Philco 2000 Series.

This center maintains a constant flow of advanced computer technology and is the headquarters for the development of Philco's automatic programming systems, including TAC, ALTAC and COBOL. These are part of an extensive library of industry-oriented programs, available to all Philco customers.

This facility is also the primary training center for a nationwide customer support group of analysts, programmers and field engineers. You are cordially invited to visit the Philco Computer Center at your convenience.



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Famous for Quality the World Over

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Making the Customer's Eyes P-O-P

New point-of-purchase display ideas boost buying at the moment of truth when the customer faces the product.

POINT-OF-PURCHASE displays have come a long way since the day of the cigar-store Indian. Most of the sweeping changes appeared with self-service, which now sells everything from axes to zithers and today accounts for about 80 per cent of all retail purchases.

The latest DuPont survey of the buying habits of 4,661 supermarket shoppers reveals that they also now make more brand selections in the store than ever before. Even more important, 51 per cent of supermarket purchases today are unplanned, compared with 38 per cent back in 1949.

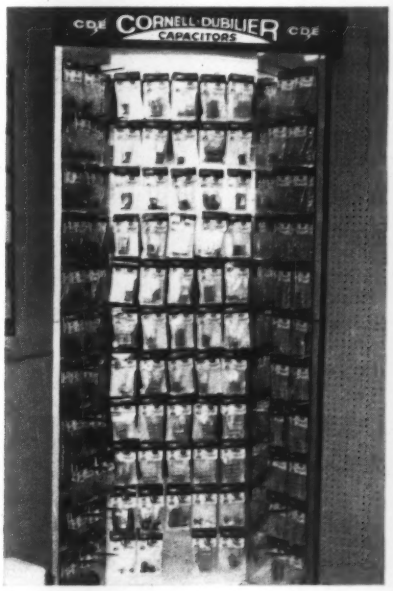
Companies are pushing hard to develop p-o-p material with as much shopper magnetism as a puppy in a pet store window. If they haven't yet come up with a package that leaps from the shelf into the shopper's arms, it's not for lack of trying—as can be seen in the accompanying photos, taken at the recent Point-of-Purchasing Advertising Institute annual exhibit in New York.

Spectaculars, large and splashy, are becoming increasingly popular as products fight for attention on crowded store shelves. There are other new developments, too:

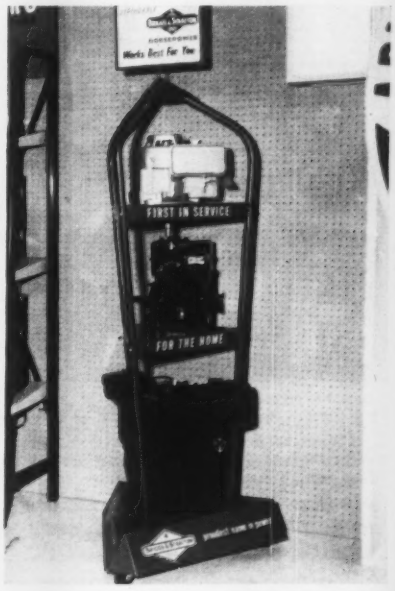
- Shelf-talkers—displays that use motion to catch the eye—are now highest in popularity.
- Devices that use sound have fallen from favor. Retailers found that their constant repetition of selling spiels wearied sales clerks more than it livened up the customers.
- Dump bins for supermarket items are more in demand than ever, since

TO SIMULATE THE BUILT-IN LOOK, *General Electric Company is using this corrugated point-of-purchase display, which holds a new range. Produced by Mead Containers Division, The Mead Corp., Jersey City, N.J., the p-o-p display supports the 200-pound range without any wooden struts. Generally, p-o-p material for appliances is shown separate from the product. Rarely is it designed to look like part of the appliance, or to simulate its actual setting.*

SELF-SERVICE *comes to the wholesale level with this display rack for distributors of electronic parts. Previously, customers, who are largely radio and television service people, were served from stock shelves in the back of the storeroom. Designed by Advertising Metal Display Company, Chicago, for Cornell-Dubilier Electronics Division, Federal Pacific Electric Company, Plainfield, N.J., it gets the product out in the open, makes selection simpler, and saves space.*



DESIGNED FOR DISTRIBUTORS *as well as for retail stores, this display unit for replacement motors is an unusual sales aid for such a product. Produced by Advertising Metal Display Company, Chicago, for Briggs & Stratton Corp., Milwaukee, it can be easily assembled, occupies minimum space, provides mobility (it's on casters), and gets the product out where it can be readily seen. The card insert, which carries various sales messages, provides for seasonal promotions.*

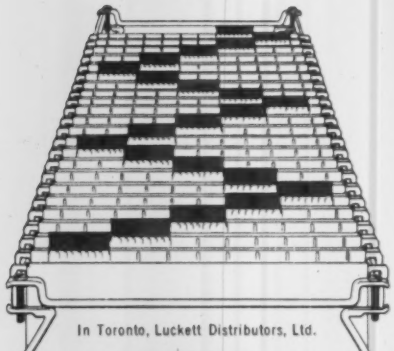


Trade your PANIC button for PENDAFLEX

Never again need the sound and fury of an impatient boss rock the office corridors! With the speed and efficiency of Oxford Pendaflex hanging, sliding folders, "must-have-immediately" letters are *always* at your finger tips. Finger-Tip Control we call it . . . and it not only saves time, but cuts office costs as well. Accuracy? It's built into Pendaflex with exclusive "Keyboard" selection!

Mail the coupon. You'll receive —FREE—a File Analysis Sheet, full Pendaflex details and a complete Oxford Catalog.

Oxford Filing Supply Co., Inc.
Garden City, New York



In Toronto, Luckett Distributors, Ltd.

Oxford
FIRST NAME IN FILING

OXFORD FILING SUPPLY CO., INC.
2-2 Clinton Road, Garden City, N. Y.

Please send free File Analysis Sheet and complete Oxford Catalog with all the facts about Pendaflex.

NAME_____
FIRM_____
ADDRESS_____
CITY_____ ZONE____ STATE_____

even without a price cut, an end-of-aisle dump bin boosts volume considerably. The number of items on supermarket shelves increases about 10 per cent each year.

• P-o-p material is being upgraded. Displays are much more elaborate and expensive—but there's a limit: Retailers balk at complicated displays that take hours to set up or, if mechanical, require frequent attention.

Despite recent improvements, marketing experts admit that there's still a lot of waste in the $375 million that companies spent last year for p-o-p, and a lot of resistance to be overcome on the part of company salesmen and retailers, who can't use more than a tenth of the p-o-p material they receive.

Watson Rogers, president of the National Food Brokers Association, recently told a conclave of grocery manufacturers: "Your money is feeding warehouse incinerators, because that's where a goodly amount of your display material winds up—unpacked, unseen, and unused."

Retailers complain that they have to waste far too much time selecting what they can use out of a mass of items that are too large, too small, or otherwise unsuitable. And even usable displays, if they're keyed to a particular promotion, often arrive too late.

Many retailers fear that p-o-p material merely results in switched sales and that the size of the average sale remains unchanged. Replies William Mee, executive director of POPAI: "Retailers don't understand how p-o-p material helps their profit picture any better today than they did ten years ago." The recent research efforts of the association are aimed at proving, among other things, that p-o-p material creates plus sales, brings in customers by creating an exciting atmosphere.

Companies are discovering that p-o-p material is best utilized when it has been presented directly to key management people in retail organizations and not just to the store manager. But they've also found that retailers are interested in the markup on the product itself, the average turnover, the space it requires, and the amount of advertising behind it.

Company salesmen, too, often look on p-o-p material with a skeptical eye. Especially if management doesn't ask their advice in designing p-o-p material, they believe—often justifiably—

BOUNCING BOY *on a non-stop pogo stick shows the energy you can get from a packaged food product. The free-standing, motor-driven display was made by Chicago Show Printing Company for the Pet Milk Company, St. Louis.*

RAPIDLY ROTATING CANS *catch the customer's eye and get across the idea that any one of the hundreds of colors shown in the attached color guide can be mixed in a few minutes. Made by W. L. Stensgaard and Associates, Inc., Chicago.*

In power...room...comfort...economy

the Tempest makes real fleet sense!

When the talk turns to fleet cars, the hot topic is the new Tempest. It's made to order for fleet users.

Its Trophy 4 engine is tuned for tough travel. Response is quick. Takes steep hills with high gear ease that puts the sixes to shame.

In the new-size Tempest six husky six-footers find plenty of stretch-out head room, leg room, elbow room and hip room. And there's a whopping 13½ cubic feet of luggage space (the usable kind) in the sedan.

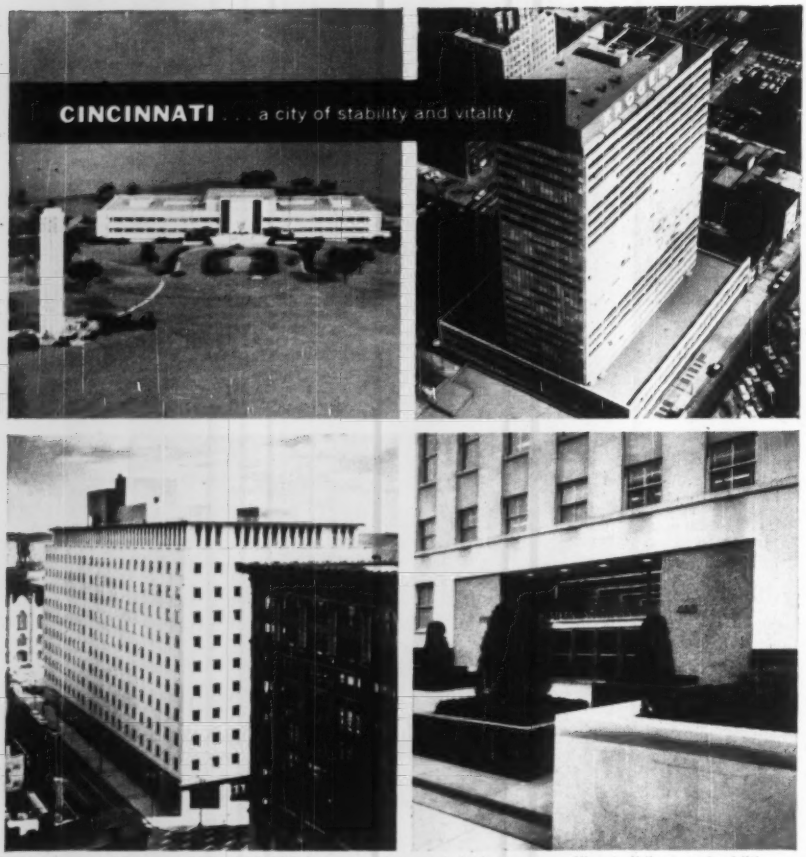
The new Tempest provides roadability far superior to small-size compacts. The 50-50 balance of front engine/rear transmission gives better stability and solid all-weather traction. Sensible 112-inch wheelbase and independent four wheel coil suspension keep even the back roads under control. You arrive relaxed.

Another big Tempest pay-off is economy. Its slanted 4-cylinder engine gives you typical 4-cylinder fuel savings, yet outperforms most sixes. You get longer tire life because its big 15″ wheels turn thousands of times less each 100 miles than a compact's 13″ wheels. Engine parts interchangeable with Pontiac's big—and famous—V-8 cut repair costs. And because the Tempest comes down Pontiac's regular quality assembly line, you can count on good resale value. The Tempest is priced with the compacts—and below some of them.

NEW TEMPEST ENGINEERING BOOKLET

The Tempest's unique engineering is completely described in an interesting 40-page booklet illustrated in color. Request a copy on your business letterhead. Write Fleet Sales Dept., Box DR-1, Pontiac Motor Division, Pontiac 11, Mich.

TEMPEST THE ECONOMY FLEET CAR WITH PONTIAC PRESTIGE



In the last 10 years, $571,000,000 in new and expanded plants, new office buildings and additions

Travel **expenses shrink** when you locate your headquarters in the city closest to America

Put a headquarters office in the middle of a 500-mile circle that accounts for half of the nation's business—and you've got a lot of obvious advantages.

The Cincinnati Industrial Area is the center of such a circle. Companies located here find that their sales and service executives not only spend less time traveling, but turn in significantly lower travel expense vouchers—something not to be overlooked in these days of narrowing profit margins.

But geography, alone, hardly accounts for the fact that 185 manufacturing firms have built plants here in the last 10 years . . . that nearly 800 firms have expanded plants, built new offices or additions for a total new investment of over $571,000,000. They've liked the fact that this is a solid city . . . of diversified industry . . . with fine workers with proud skills . . . a city with the kind of culture, schools, government, and easy-access suburban living that make management employees happy to move here, stay here. There are a lot of other advantages they like . . . and which we believe you'll like . . . about locating in Cincinnati, "the city closest to America." We'd like a chance to tell you about them.

For complete and confidential *information about the Greater Cincinnati Area relating to your own specific problems and needs, write Mr. Ernest S. Fields, President, The Cincinnati Gas & Electric Company, Cincinnati, Ohio.*

The Cincinnati Gas & Electric Company

The Union Light, Heat and Power Company

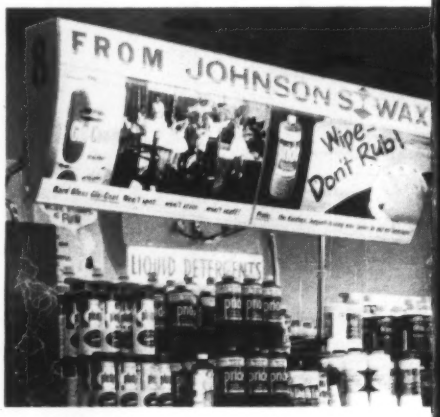
Serving homes and industry in the Greater Cincinnati Area with an adequate and dependable supply of gas and electricity.

that the material they receive is impracticable and unsuited to the needs of the stores they serve. On top of this, their schedules seldom allow sufficient time for setting up p-o-p material. POPAI, which is well aware of the problem, has just prepared a slide-film depicting what p-o-p can accomplish. It's aimed directly at salesmen and management.

Through their trade association, the producers of display material (printers, lithographers, and others) are making strenuous efforts to reduce the waste in p-o-p spending. The suppliers, who are frequently "merchandising consultants," are now:

- Urging companies to promote p-o-p material actively to retailers and to stress concrete evidence of its accomplishments
- Emphasizing the importance of integrating p-o-p material with a company's entire advertising program
- Researching p-o-p material to determine cost per thousand exposures, as in other media.

A survey of more than 5,000 shoppers reveals that only one out of three actually makes purchases as a direct result of p-o-p displays and another recent study of 300 shoppers in six supermarkets has shown that only 3 per cent of all non-switched sales resulted directly from displays. But, significantly, p-o-p material increased such sales 41 per cent for the average product. Clearly the potential for creating plus-sales (in contrast to switched sales) has barely been tapped. —THOMAS KENNY



STANDARDIZED POINT-OF-PURCHASE *displays will soon appear, according to the promoters, William Melish Harris Associates, New York. Colored plastic transparencies on the fluorescent-lighted fixtures are changed monthly.*

but why guess when you can be sure...faster... with the remarkable mobile **EXECUTIVE KARDEX**

Mistakes can be costly. That's why executives who can't afford to be wrong depend on the Remington Rand Executive Kardex for correct on-the-spot information.

With the Executive Kardex, you just roll the facts you need to wherever you are. In the conference room . . . at the plant . . . in the office.

It quickly cues you on up-to-date information with colored marginal signals; gives whole histories at a glance.

So stop wading through unrelated material, costly, time-consuming reports. Get the facts you need on inventory, sales, personnel, ledger, production and credit . . . *on the spot* with the Remington Rand Executive Kardex. It pays to be right — *right where you are!*

All Remington Rand Equipment also available on long or short term lease plan.

Remington Rand Systems
DIVISION OF SPERRY RAND CORPORATION
122 EAST 42nd STREET, NEW YORK 17, N. Y.

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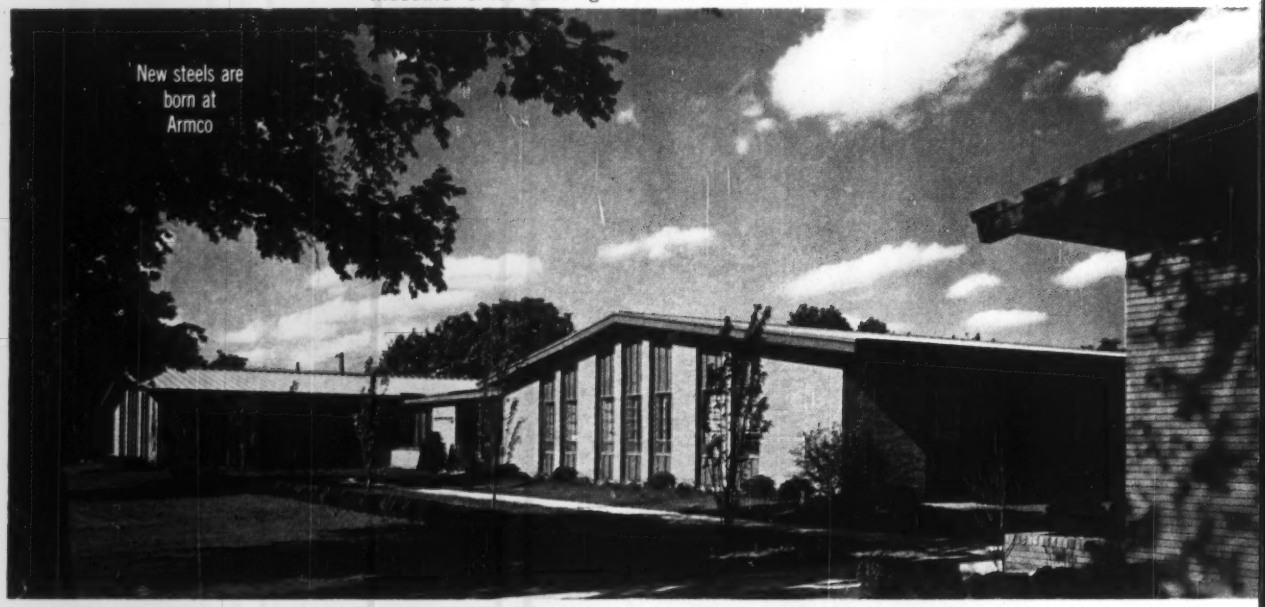
Industrial office building combines brick and Armco STEELOX Wall Panels.



Comfortable office in easy-to-insulate Armco Building.

PRACTICAL

ARMCO STEEL BUILDINGS

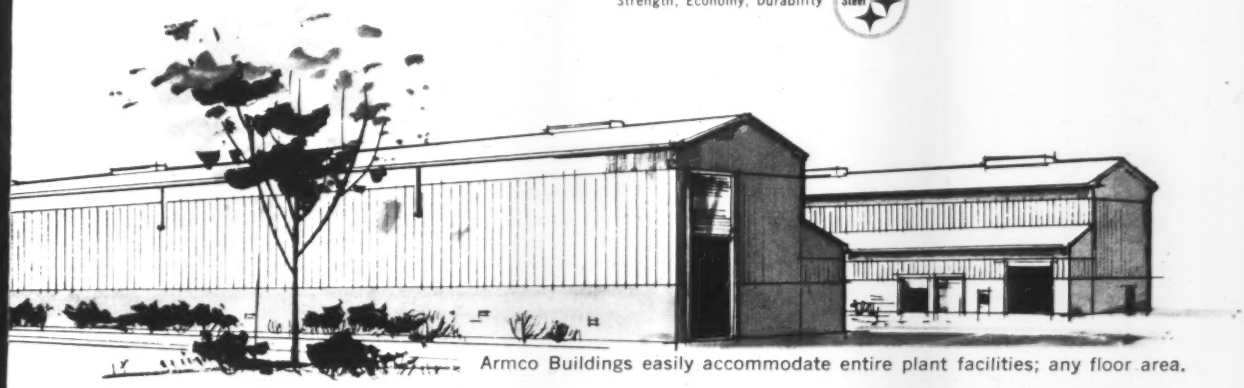
They'll Give You More For Your Building Dollar

These are the words for Armco Steel Buildings. **COLORFUL**—inside and out, wherever appearance is important to you. **PRACTICAL**—because you get *exactly* the building you want—without compromise, at less than the cost of so-called custom construction.

With Armco Buildings it's a matter of choice. Choice of colors—either factory-applied or painted after erection. Choice of interior finishing—plain for a warehouse, comfortable and attractive for an office. Choice of size—any floor area, with post-free widths up to 120 feet. Choice of architectural treatment because your architect or engineer can combine STEELOX® Panel walls with other materials.

Write to us about your building needs. We'll supply the details you want without obligation. Financing and erection service available. Armco Drainage & Metal Products, Inc., 4041 Curtis Street, Middletown, Ohio.

Strength, Economy, Durability Steel



Armco Buildings easily accommodate entire plant facilities; any floor area.

ARMCO Drainage & Metal Products

Managing Your Manpower

LAWRENCE STESSIN

- *Figures that management doesn't see: The high costs of labor turnover.*
- *What's the limit on the kinds of company data unions can "take home" to study?*
- *Cost-of-living clauses may be losing appeal, but wages are going up just the same.*

WHEN you bid farewell to the employee who is leaving for a job elsewhere, it's a mighty expensive goodbye. That farewell handshake costs the average company $482, a new high in the mounting cost of labor turnover. Multiply this by the one million workers who every month are scratched off one company payroll and put on another, and you get an untidy annual figure of $11 billion—at a time when business is counting its nickels.

Management's concern over the expense involved in recruiting, hiring, and training replacements is stressed in two new studies that spotlight the problem. One is *Labor Turnover: Calculation and Cost*, by Dr. Frederick J. Gaudet (American Management Association). The other is *Labor Turnover: Causes, Costs and Methods of Control* (Merchants and Manufacturers Association, Garden Grove, Calif.).

Not all employers agree that turnover, though costly, is an unhealthy condition. Some companies deliberately encourage separations from the workforce. One organization actually makes it a policy to get rid of many of its salesmen after a few years so that they will not accrue seniority and other benefits which its management considers too high in relation to productivity! Others believe that high turnover makes for an infusion of new blood into the company, though Dr. Gaudet questions whether the new blood "is better than the blood that is being replaced." Citing a study conducted in the automobile industry, he notes that when the merit ratings of a large group of men were examined, the scores of the men who had quit were equal to, if not slightly higher than, those who remained. In another survey, the ideas fed into a suggestion system were examined to gage the creativity of new workers versus older employees. The best ideas came not from the "new blood" contingent, but from the "stayers"—those who had been with the company for a long time. (No "quitters" were surveyed.)

One area of turnover which few would dispute is the high rate of quits among newly-hired college graduates who have been chosen with the best selection devices. A Northwestern University survey showed that the average company loses 36 per cent of its college-recruited hopefuls within five years—a turnover loss for each man of between $1,000 and $5,000.

In lower level jobs, the "survival rate" of new hires can be pegged to months rather than years. Statistics reveal that a new employee is more likely to quit during the first three months than at any time thereafter.

Dr. Gaudet attributes management's tardy awakening to the eroding influences of turnover on costs to several causes:

- A casual acceptance of the idea

The High Cost of People

The cost of processing people keeps moving up. New research into personnel department budgets shows bigger outlays for selection, induction, training, and supervising newcomers to the workforce. The University of Minnesota has found that personnel department operations averaged $77.65 per employee in 1959—a rise from $48.59 in 1952.

A few examples give a picture of these not-so-hidden costs: To evaluate and screen application letters for salesmen—$60 per hire; for engineers—$20 per hire; for plant managers—$84 per hire.

Indoctrination costs are also hitting high marks: $18 for half-day programs for unskilled and semi-skilled workers, to $45 for full-day programs for helpers—and as much as $3,700 for management trainees' two-week courses.

These figures do not include such hidden items as the cost of supervision while the new employee is being broken in, lost production while the worker learns, or the slowdown of employees who have decided to quit but take their time about giving notice.

that turnover is a built-in expense of running a business

- The attitude that the employee is a restless seeker after greener pastures, motivated by the excitement and stimulation of job-changing
- The spottiness of reporting systems on turnover in individual companies.

Dr. Gaudet drops a heap of blame on the personnel departments of industry for the sluggishness with which turnover figures flow up the management line. He observes:

"Personnel people have a strong reason for not obtaining and reporting the cost of labor turnover to top management. The personnel officer who brings to the attention of his superiors the information that turnover accounts for 10 or 15 per cent of the entire cost of productivity should have his head examined. Financial statements of this sort are likely to be thrown back at him as a condemnation of the job he is doing or, at the very least, to be returned to him with strict orders to reduce those costs next year."

If the two new studies are long on analysis of the turnover problem, they are short on solutions. Both maintain that no blueprint is applicable for all situations. For the most part, labor turnover is caused by inadequacy of internal policies. In one company, it may be poor supervision. In another, erratic production schedules frustrate workers to the point of quitting. Asked to cite the causes of turnover in their own companies, most employers come up with a list of reasons an arm long. When prodded to suggest solutions, the answers that lead all the rest are:

- Better employee orientation, induction, and follow-up
- Use of exit interviews to get at the causes
- Better supervisory training
- Improved employee communications
- Maintenance of labor-turnover records.

Open Your Books

Among the touchiest issues in collective bargaining is the problem of what personnel records a company is required to reveal to the union.

The National Labor Relations Board and the courts have already decided that management must furnish the union with wage-rate data that will make for effective negotiations. A new version of the problem

DON'T GET TRAPPED

BAIT: Many areas talk *only* about their *state* taxes applicable to industry.

TRAP: But what about *local* taxes?

AVOID THIS TRAP! In selecting a plant location, get the *total* tax story. We'll gladly furnish *complete* information on both *state* and *local* taxes applicable to industry in WESTern PENNsylvania.

WESTern PENNsylvania

Send coupon to

WEST PENN POWER

an operating unit of ALLEGHENY POWER SYSTEM

DR 1-1

WEST PENN POWER
Area Development Department
Greensburg, Pa.

Phone: TEmple 7-3000
(area code 412)

Yes, I'd like details about WESTern PENNsylvania's *favorable tax climate*—state and local—for industry.

Name_____ Title_____

Company_____

Address_____ Telephone_____

City_____ Zone____ State_____

Develop Better Supervisors and Managers With

Modern Management Films

Make your supervisors better leaders with Modern Management Films, produced in full color and sound by The Bureau of National Affairs.

These 16-mm films present typical supervisory situations and suggest solutions to supervisory problems in an interesting and stimulating way. They are designed to precede and encourage group discussions.

Each film is about 10 minutes long, and is supplemented by a discussion leader's guide. A 95-member advisory panel of leading industrial executives suggests subjects and reviews scripts to make sure they are realistic and sound in principle.

More than 1,000 firms have successfully used the first Modern Management film, "LISTEN, PLEASE." We now offer a library of four films:

LISTEN, PLEASE... a series of situations in a supervisor's typical day which emphasize the importance of *listening* and *communicating*.

THE CASE OF THE MISSING MAGNETS... showing how a supervisor can motivate employees for better teamwork and production.

INSTRUCTIONS OR OBSTRUCTIONS... Dr. Paul Pigors of M.I.T. demonstrates the primary task of supervision: *giving orders and instructions to others.*

THE CHALLENGE OF LEADERSHIP... a dramatic demonstration of leadership. Designed to stimulate supervisory thinking about leadership skills.

Available for purchase or rental.
Executive previews can be arranged. Write:

Modern Management Films

BNA
WASHINGTON

The Bureau of National Affairs, Inc.
Dept. A2
1231 24th Street, N.W., Washington 7, D.C.

came up before the NLRB when American Cyanamid Company refused to let the union "take home" the job evaluation plan and job descriptions the company uses in determining wage scales.

The company did not question the union's need of the information as a basis for determining its wage proposals. But management insisted that the material be scanned on company premises. The union balked at this and went to the NLRB for a ruling, on the grounds that the company was "refusing to bargain" in good faith. American Cyanamid argued that job descriptions contained information that could be useful to competitors if lost or leaked. Experienced personnel technicians could analyze the job descriptions and come up with insights into operating techniques, the use of raw materials, equipment used, and time requirements. This information, according to the company, is not for the prying eyes of someone in the same business, although the union was entitled to it in confidence.

The NLRB decided that the company "had a legitimate economic interest" in not letting these wage data out of its hands, and ordered the union to scan or study the data on company premises.

The Pay-Raise Picture

The year may be young, but it's already possible to see the pay-raise pattern for the months ahead. Prognostication is easy because last year union-management bargainers built future wage hikes into their agreements. On an industry basis, the pay boost outlook for the rest of 1961 looks like this:

INDUSTRY	HOURLY INCREASE
Construction	$.143
Steel	.072
Transportation	.071
Paper	.069
Chemicals	.077
Furniture	.097
Lumber	.098
Utilities	.113
Clothing	.064
Rubber	.058
Trucking	.097

Meanwhile, elimination of cost-of-living clauses from union agreements is making headway. Unions are cooling to these automatic wage increases, preferring to use bargaining give-and-take as a way of upping pay for their

Kodak's Verifax Copier turns out 5 dry, easy-to-read copies in 1 minute for 2½¢ each

Here's the easy, instant way to get any type of copy you want!

A Kodak Verifax Copier gives you a choice of copies no other copier can match. It lets you reproduce letters, charts, systems records, and other office items on one or both sides of white or color-coded bond-type paper . . . or on card stock. Even lets you make your copies on printed office forms . . . or make translucent masters for whiteprint machines.

VERIFAX BANTAM COPIER
(Model A)
ONLY
$99.50
other models to $425

Call your local Verifax dealer for a demonstration in your office using your records. (See Yellow Pages under Duplicating or Photocopying Machines.) Or write Eastman Kodak Company, Business Photo Methods Department, Rochester 4, N. Y. for free booklet describing all Verifax Copier models.

Prices quoted are manufacturer's suggested prices and are subject to change without notice.

Verifax® Copying DOES MORE . . . COSTS LESS . . . MISSES NOTHING

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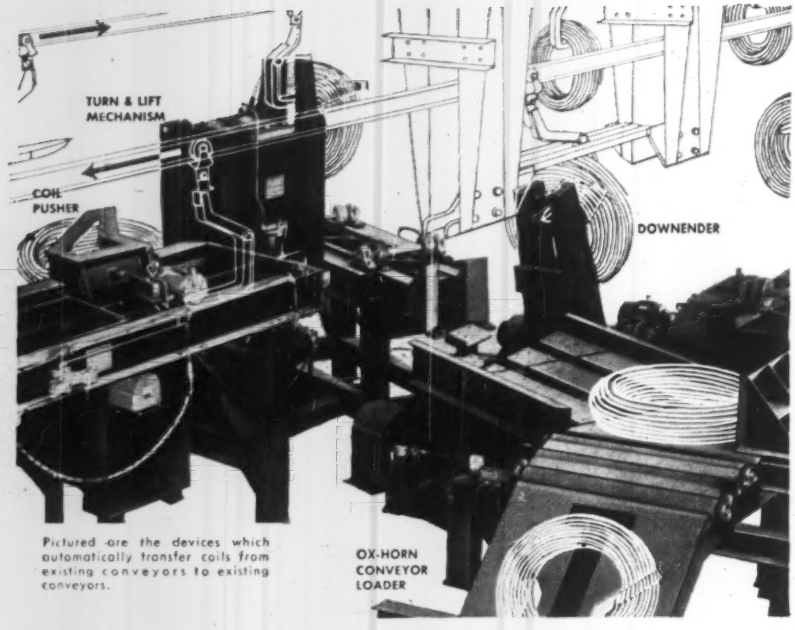
TRADE MARK



Pictured are the devices which automatically transfer coils from existing conveyors to existing conveyors.

Planet Versatility saves money...

NEW AUTOMATIC COIL HANDLING SYSTEM UTILIZES EXISTING CONVEYORS

This custom-engineered automatic coil handling system is an example of how *Planet Versatility* saved one of America's largest steel mills substantial capital investment by designing a system to load and unload *existing* conveyors.

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members. Biggest bargaining show of the year will be put on in July when the United Auto Workers, led by Walter Reuther, take the stage in their tilt against auto manufacturers. The principal non-wage demand will be for a 32-hour work week which, the union will argue, is needed to take up the slack created by the inroads automation is making into the industry's manpower needs. The UAW's strike fund is now close to $30 million, and the campaign for the shorter work week is being emphasized in union circles.

Recently, New York City labor leaders held a conference to launch a shorter-week drive. David McDonald, leader of the Steelworkers, is said to be seeking a meeting with President Kennedy to get him to change his pre-election views on the 32-hour week. Mr. Kennedy gave the cold shoulder to the shorter week at the Steelworkers' convention.

Laws and Labor

The Kennedy Administration is not expected to ask Congress to consider a big package of new labor laws. Current thinking is that the legislators should consider as their first order of labor business a change in the functions of fact-finding boards. Fact-finders are provided for in the Taft-Hartley Act, but their only function is to ferret out the issues, since recommendations for the settlement of critical labor conflicts are prohibited. Giving the board authority to come up with a pay and fringe figure would allow public opinion to influence the parties.

There appears to be no concerted opposition to this change in the Taft-Hartley structure. Labor's major concern during the coming months is to take up its battle against "right-to-work" laws, which are again in effect in nineteen states.

At present, union leaders have two strategies open to them. One is to make a direct assault on these laws via the state legislatures, working for repeal in each of the states, though the November elections gave little evidence that there is much chance of success in that direction. The other technique is to try to obtain a Congressional amendment to the Taft-Hartley Act which would prohibit the states from enacting "right-to-work" legislation. President Kennedy is on record as favoring such a move. END

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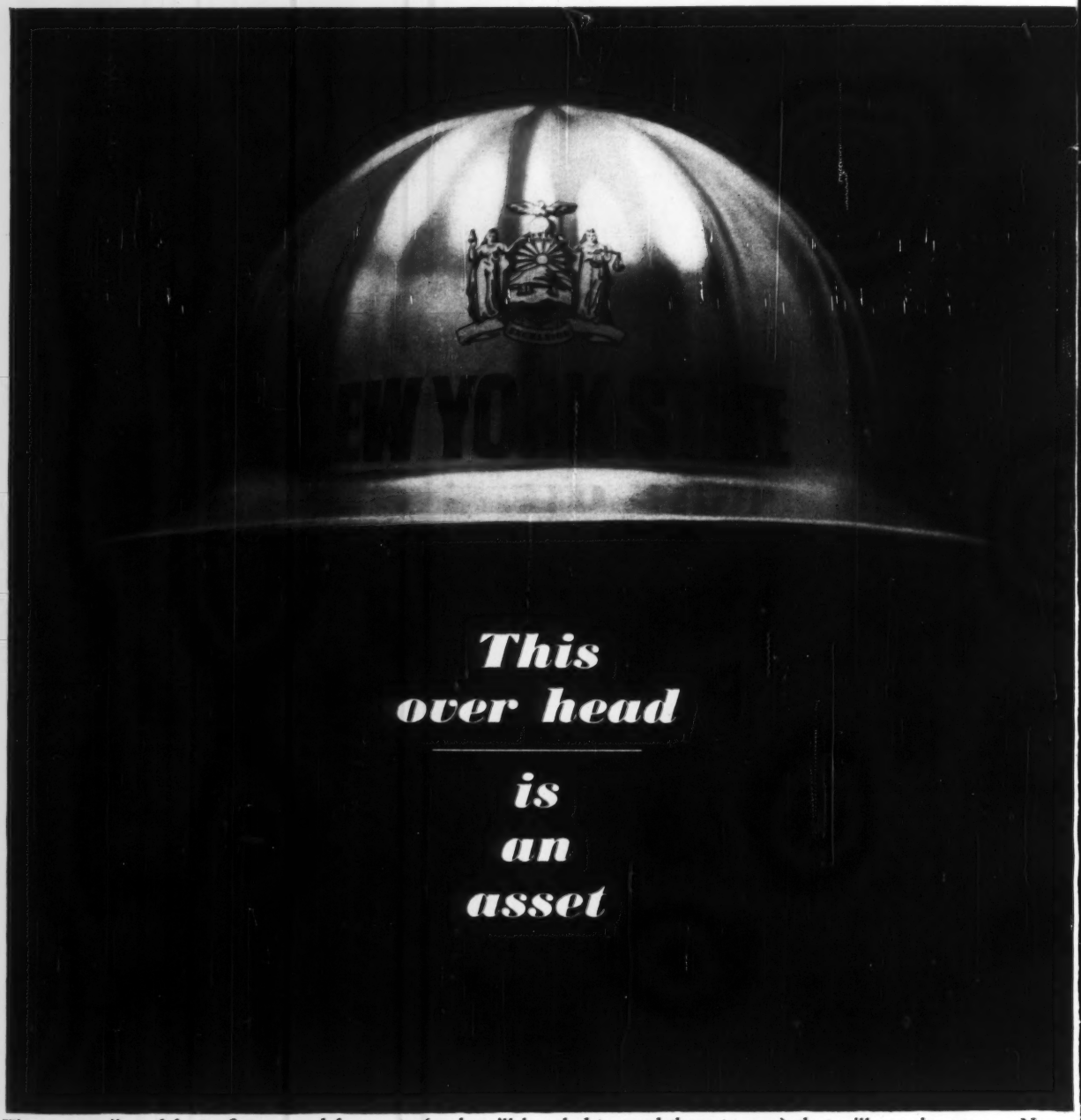

There are piles of facts, figures and forecasts (and we'll be glad to send them to you) that will convince you a New York State location can be one of your business's greatest assets. But to boil it down to a few bold words: New York State offers you the nation's most rewarding business climate to work in . . . grow in . . . succeed in. ■ Much of the credit goes to the "hard-hat" businessman administration Governor Rockefeller has put to work in Albany. It has launched a program that established sound financial policy, tightened the administration of all departments, organized the Advisory Council for Advancement of Industrial Research and Development to speed the accomplishments of science from laboratory to industry and taken other steps to assure continued, rapid business growth in New York State.

We'll compile a report tailored to your specific new plant needs. Write Commissioner Keith S. McHugh, Dept. of Commerce, Room 156, 112 State St., Albany 7, N. Y. (All contact between your office and ours will be kept *under* our hat.)

GET UP TO DATE ON NEW YORK STATE . . . WHERE THEY'RE TALKING THE BUSINESSMAN'S LANGUAGE

International Markets

ALEXANDER O. STANLEY

- *There's fierce competition ahead in overseas markets.*
- *Small businesses get Western Hemisphere tax benefit.*
- *U. S. exports hurt by differing international standards.*

KEEP a wary eye in the coming months on commodity gluts, expansion of export credit insurance by some countries, cut-price and pressure tactics by the Soviets to broaden and deepen their penetration of world markets, and the attitude of the new Administration towards the use of controls in international trade, aid, travel, and company investments overseas.

How these problems will be resolved is, of course, unknown, but each of them contains implications that are plain to see: more headaches, and more competition for us in world markets. Let's look at the discernible patterns, and key trends that are building up:

- **The commodity glut:** World output of foods, fibers, and metals is racing ahead of demand, and under the weight of inventory pile-ups, prices are sagging in coffee, cocoa, wheat, sugar, some vegetable oils, rubber, wool, and copper, as well as other extractives.

The problem is compounded by the development of cheaper substitutes and synthetics. Hardly any zone escapes the price blight. In both advanced and underdeveloped countries, these "soft" commodity exports contribute in large measure or sizable degree to the economy—in Canada, Iceland, the Scandinavian countries, Portugal, Spain, Greece, throughout the African, Middle Eastern and Middle American blocs—including Mexico, the Dominican Republic, and Haiti—as well as in South America and in a large segment of the Far East and Oceania.

Not even the population explosion seems to provide the necessary immediate offset—although in foodstuffs, at least, "demand" is a relative term. Malnutrition abounds in a number of the glutted areas and a huge potential market exists. Yet in many cases, in spite of increased local consumption, the stockpiles of commodities are soaring way beyond population growth rates.

This production/distribution imbalance, while it implies a lower price threshold that will be welcome to international processors and consumers, also has another unpleasant side to it—the cutback in export earnings of the countries involved. For the marginal and underdeveloped countries, this means going on the "relief rolls" for aid. For the more advanced countries, it means a re-appraisal of trade policies, and possibly even a tightening of controls. For both groups, it spells retrenchment in overseas purchases unless the downward spiral in prices and volume can be halted.

Since the 64 countries or economic entities involved absorb $3 of every $5 of U.S. exports, how the commodity indices go and what devices will be used to protect exchange reserves will markedly influence our export trends in this sector of operations. Some straws in the wind:

—Venezuela, long a country where the dollar was available and easily convertible, recently imposed exchange controls.

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—Liberia, with the intention of eliminating all rice imports, is expanding local production of that staple.

—Australia, now engaged in a many-sided exchange conservation program, wants to increase acreage in cotton and tobacco and regulate mixes of the latter to include higher percentages of the home-grown variety in cigarettes and smoking tobacco. It is also squeezing auto imports by hiking the auto sales tax 10 points to 40 per cent.

—Ceylon, trying to cope with diluted tea prices, has sharply upped tariffs on luxury items.

These economy "brush fires" may pop up in other areas. Much depends on how long our own economy languishes, and whether the boom in industrialized Europe continues its forward momentum or levels out. It will pay you to watch world commodity and industrial indices in the immediate months to come.

• **The export credit insurance picture:** While the Exim Bank of Washington is carefully proceeding with limited expansion of its venture into underwriting short- and medium-term credits, at least two of some fourteen countries now offering this type of support are making a major overhaul of their systems to gain a better competitive footing overseas.

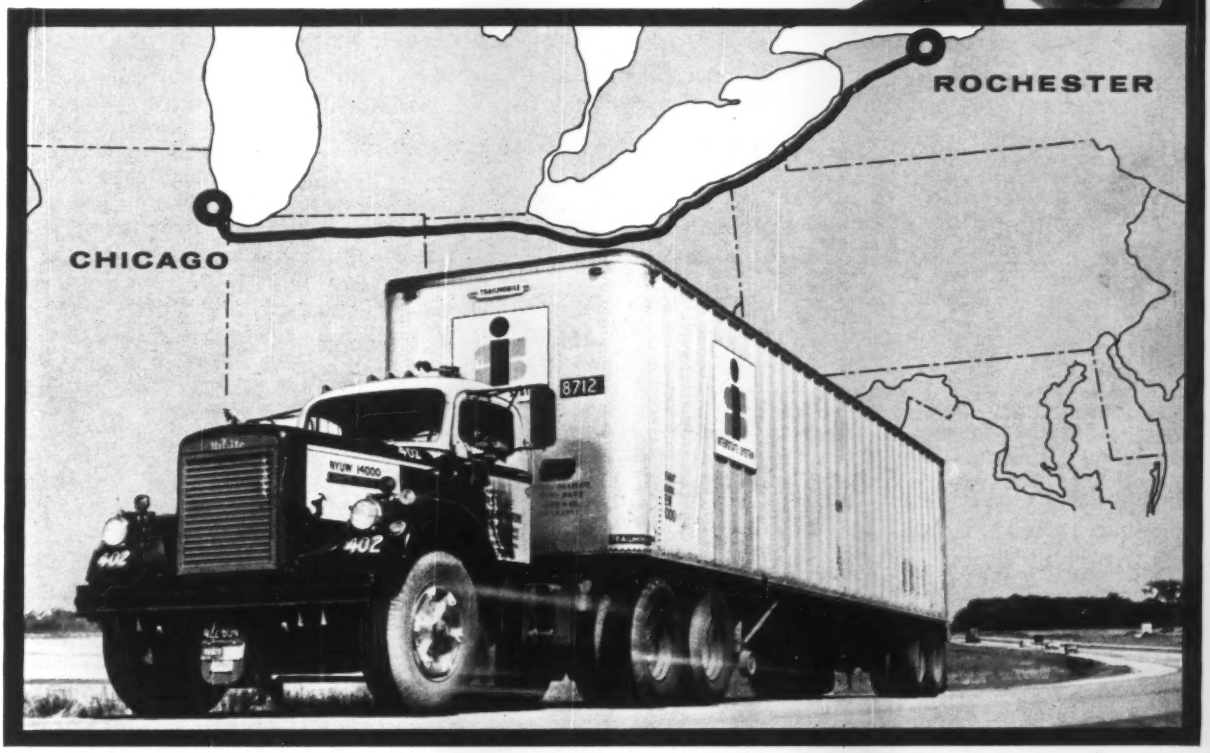
The Italian credit insurance system, as proposed, will give protection on short-term (six to twelve months) and medium-term (up to five year) credits.

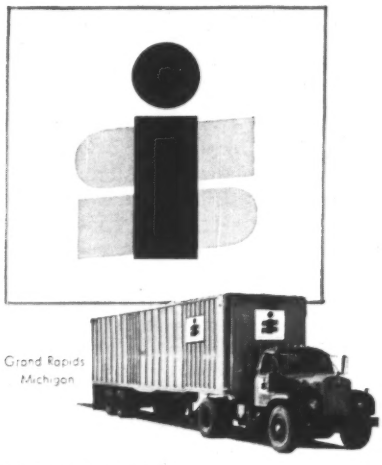
The insurance will cover exchange risks, delinquency, bankruptcy, investments and deposits abroad, technical assistance projects, and even fluctuations in freight rates. An interesting corollary to this is a planned step-up of government-sponsored market research and information services abroad.

The Canadian export credit insurance corporation will broaden its scope to provide additional services to Canadian exporters of capital—but not consumer—goods. The long-range goal is to make available up to $700 million in medium- and long-term credits to exporters, through the mechanism of a new financing company in which Canada's nine chartered banks will have a $500 million stake. This will be supplemented by $200 million in government cash and credit.

In both countries, the specific intention expressed in each case is to

We pay an average of $2,434 a month in "road" taxes to use the highway between Rochester and Chicago!





The trip from Rochester, N. Y., to Chicago, Ill., is 604 miles. Interstate travels between these two points 105 times in the average month. Counting *only* those taxes that go toward paying for state and national highway systems, the amounts we pay on this one route average $2,434 monthly. In our last fiscal year, these highway-directed taxes for the entire Interstate System totaled approximately $1,550,000. The *total* of our taxes and licenses for that year was $4,717,033. By any measure, it is apparent that Interstate System not only provides the fast, direct service you want, but, like other motor common carriers of America, pays its own way in doing it!

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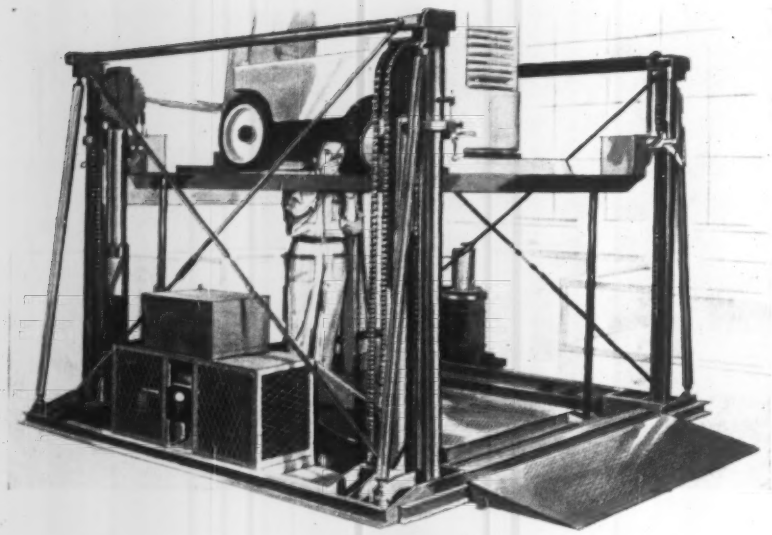

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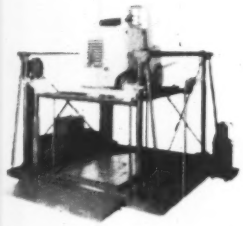

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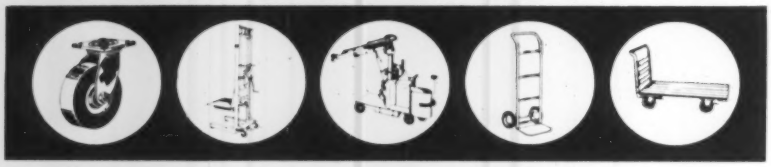

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help exporters meet rising credit competition abroad.

• **Soviet price cuts and pressure tactics:** These show up in recent Communist economic maneuvers on world fronts. For instance, on a tough *quid pro quo* basis, the Soviets have offered to buy $800 million worth of West Germany's steel pipe in exchange for a three-year order for 12 million tons of crude oil, worth some $120 million. It's expected that the Russians may compromise for half the requested order, or 6 million tons, still a big jump from the 4.5 million tons committed for in previous years.

In another fast shuffle, the Soviets have offered to swap Russian oil for Italian 40-inch transmission pipe, with the intention of linking Soviet oil fields with the markets of Western Europe. Expected outcome: Soviet crude delivered in Europe's markets at $1 per barrel versus $1.85 for Middle East oil.

Soviet dickerings with other countries include:

—Cuban sugar bought by the Soviets and dumped here and there at a ton-price $14 or more below prevailing world levels.

—Machine tools of the made-in-USSR variety offered for $3,000 or two-thirds less than the American equivalents.

• **New Administration measures:** The United States Government will have to walk an international tightrope in its defense of the dollar. Some ideas recently advanced in and out of the halls of Congress would curb imports, curb travel, curb aid, curb investments—all for the sake of balancing our international budget of payments. Any or all of these might conceivably balance our payments, but the question is—at what level?

Chances are that if we retreat from our more or less traditional pattern of unrestricted international trade and enterprise at a time when so many other countries are beginning to swing into this policy line, we will get paid back in kind for any trade or currency controls we impose. The dollar would then be defended at the expense of losing markets for U.S. goods overseas.

Measuring Up to Standard

According to the American Standards Association, Inc., thousands of American products cannot be exported because standards and specifications in

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Bank loans help manufacturers stock raw materials and pay for the precision machines that convert them into finished products. Bank loans help electronics companies expand and keep up with progress. And in the consumer market, banks frequently supply money to help neighborhood dealers stock everything from miniature radios to console organs.

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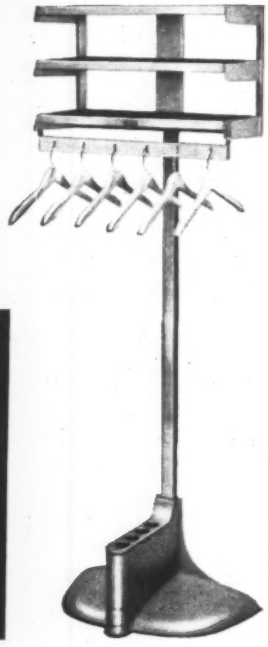

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other countries differ from those in the U.S.

In a compact monograph, *The Why and How of International Standards,* the ASA highlights the fact that differences in national standards can be a more effective trade barrier than import quotas, currency restrictions, or high tariffs.

Conversion from the inch to the metric system, or vice versa, is one of the costliest handicaps. Both systems of measurement are so well established that neither can be expected to give way to the other, although internationally recognized conversion standards can help greatly to reduce this problem.

Still other such conflicting standards are encountered with test methods for materials and equipment, quality control systems, and in the dimensions of machines and machine parts.

Here are some tips on what you can do to determine how standardization throughout the world affects your business and whether or not you should participate in the work for international standardization:

- Find out whether conflicting standards, or a lack of standards, handicap your sales. If you have foreign manufacturing facilities or licensing agreements, find out whether conflicting standards add to the cost of your operation.
- Ask the American Standards Association, Inc., whether international standards affecting your business are in existence or in preparation.
- Inquire, too, about the more important national standards that have been developed in countries where you may want to sell.
- Determine whether your trade or professional organization keeps up to date on international standardization activities.
- Ask the ASA for additional data in depth on your industry's standards problems.

The need for international standards has long been recognized and a number of organizations have gone a long way in developing them. Foremost in the fields of industry and engineering are the International Organization for Standardization (IOS) and the International Electro-Technical Commission (IEC). The American Standards Association (ASA) acts as the national clearing house and coordinating body for standardization in the United States. END

information about

Kansas City

for industrial site seekers

Located only a short distance from the exact geographical center of the United States, Kansas City can rightly be called the "Heart of America." As such, it has become famous for its excellent transportation system, large stockyards, giant grain elevators, and many processing plants. Over a million people live here—in a metropolitan land area of more than 16,000 square miles. Water is abundant. Opportunity for industry abounds.

Moreover, Kansas City's urban development programs are keeping pace with its industrial growth. Many new highways, bridges, parks, and boulevards have been recently completed. Kansas City's downtown area, with its new expressway loop, spacious underground garage, and attractive office buildings, is one of the nation's most modern. Cultural and recreational facilities are mushrooming. All of this is being done without any major increase in taxes. Kansas City's per capita debt is approximately the same as it was in 1940.

The Rock Island has choice industrial sites available in the Kansas City area. If the following information interests you, get in touch with us for more specific details. We'll work with you in strictest confidence.

LABOR: A growing labor force of nearly 450,000 in the standard metropolitan area, many trained in the defense industries—an increase of 20% in 10 years; 53.8% with at least 12 years of schooling.

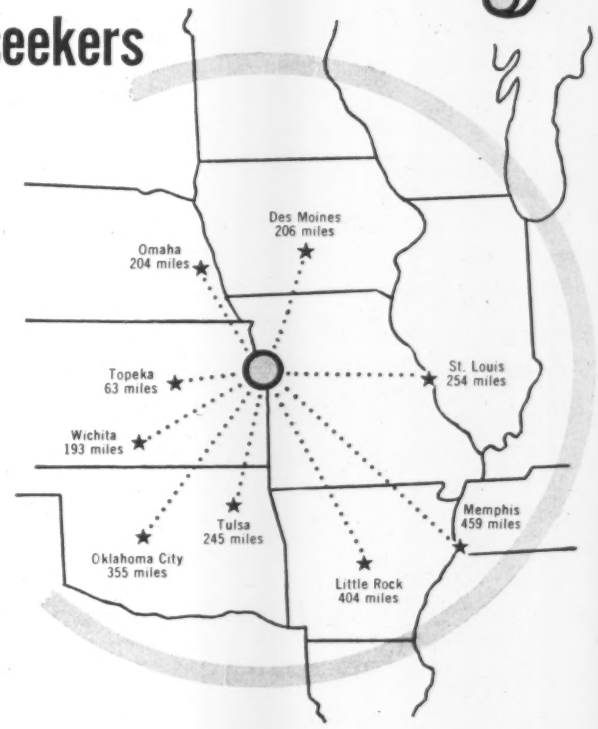
POWER: Four power companies with a present generating capacity of 1,154,200 KW and a planned expansion of 545,000 KW; 2 gas companies with 74 billion cu. ft. of natural gas in reserve storage.

TRANSPORTATION: The Rock Island and 11 other railroads; 8 airlines; 145 truck lines; 2 barge lines; 17 bus companies.

HOUSING: 90,067 new housing starts in the area since 1950; the most popular new construction sells in the range of $17,000; rentals average $25.00 per unfurnished room per month.

THE COMMUNITY: 129 elementary schools in the metropolitan area; 24 junior and senior high schools; 53 private elementary schools; 12 private secondary schools; approximately 51 trade and vocational schools; 2 junior colleges. Twelve colleges and universities serve students from the area. There are 34 major hospitals, with 6,324 beds; 57 parks; 62 playgrounds; 16 libraries. Per capita cost of the Kansas City government is fifth lowest among the 23 cities in its population group. And Kansas City has the lowest estimated basic living cost of the 20 major cities in the United States, according to recent studies.

COMMERCIAL SERVICES: The Kansas City area has 1,754 manufacturing firms producing a wide variety of products. Foods, transportation equipment, fabricated and primary metals, textiles, and paper products are among the most important. Wholesale sales are about 3.5 billion dollars a year.



CLIMATE: Average annual temperature is 56°; average normal precipitation is 35.31 inches.

INFORMATIVE BROCHURE describes 12 key markets in Rock Island Country. This fact-packed "Rock Island Country" booklet, as well as further details on industrial sites in Kansas City, may be obtained by writing on your company letterhead to P. J. Schmidt, Manager, Industrial Development, Department 166, Rock Island Lines, La Salle Station, Chicago 5. The brochure and supplementary information will be mailed in a plain envelope marked "Confidential."

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Arthur Krim (Left) and Robert Benjamin (Right) of United Artists Corporation

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When Arthur Krim and Robert Benjamin took over United Artists Corporation, film distributors, in 1951, the firm was foundering, in a magnificent way, in a progressively sagging industry. Founded by Pickford, Fairbanks, Chaplin, and Griffith, United Artists owed $1 million, was losing $100 thousand a week.

Lawyers Krim and Benjamin had specialized in the entertainment field. They knew that profits were at least possible in movies, and believed that different business methods would make U.A. pay. Heller was of the same opinion.

Heller financed United Artists' program of acquiring films for distribution, and the Krim-Benjamin team brought imagination, courage, and ability to the distribution process.

Under a Heller financing plan designed for United Artists, the new management was well in the black the first year, made $4 million profit last year.

Thus, once more—this time behind the sets and on locations the world around—the Heller success combination is illustrated: Good businessmen, and creative financing—each useless without the other, extremely potent together.

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Capital Views & Previews

PAUL WOOTON

In the wake of his landslide victory,
the Republican senator from New Jersey
asserts that moderates hold the key to the future.

CRUSADING does not appeal to Senator Clifford P. Case, New Jersey's liberal Republican. The crusader, he contends, too frequently becomes a fanatical partisan. Nevertheless, Case fears he is becoming one in his campaign for a bill to establish a Federal Department of Transportation.

Billions of dollars, says Case, are now poured into conflicting, overlapping, half-baked transportation programs. Some modes of transportation are regulated. Others are not. Some are subsidized. Others are not. The component parts of our transportation system are not developed as a whole. "We must have a coherent, modern system, instead of an unstable and uneconomic jungle of diverse supervisory agencies," he says.

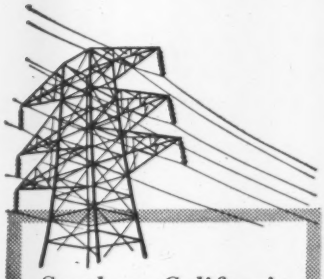
Transportation is not the only issue that has aroused this reluctant crusader. Case was one of the pioneers in the effort to provide a permanent United Nations force to act in emergencies. For years, he has also doggedly pushed more effective measures to combat interstate crime.

Still another of Senator Case's major objectives is a national clearing house for traffic offenders. "We are a nation on wheels," he points out. "We should help the states to get the information they need to keep the reckless driver off the road."

Senator Case—a Republican—was reelected to the Senate by a large majority when his state was voting decisively for a Democratic president. This has aroused great interest in the principles which appealed so strongly to New Jersey voters. As a non-crusader—when transportation, an international police force, criminals, and reckless driving are not involved—Case is definitely a moderate. "General Eisenhower," he remarks, "has bestowed upon the country a basic middle-of-the-road philosophy in which optimism and common sense are basic elements. It will appeal more and more to the people as it is better understood."

"An opposition party must offer alternatives to which people can turn readily. It must be a party of moderation."
—Sen. Clifford P. Case

It is an American axiom, Case points out, that two strong parties are essential to good government. The fact that the Republicans have controlled both houses of Congress for only four years out of the last 29 does



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Dividend No. 21
26½ cents per share;

4.78% SERIES
Dividend No. 13
29⅞ cents per share;

4.88% SERIES
Dividend No. 53
30½ cents per share.

The above dividends are payable February 28, 1961, to stockholders of record February 5. *Checks will be mailed from the Company's office in Los Angeles, February 28.*

P. C. HALE, *Treasurer*

January 19, 1961

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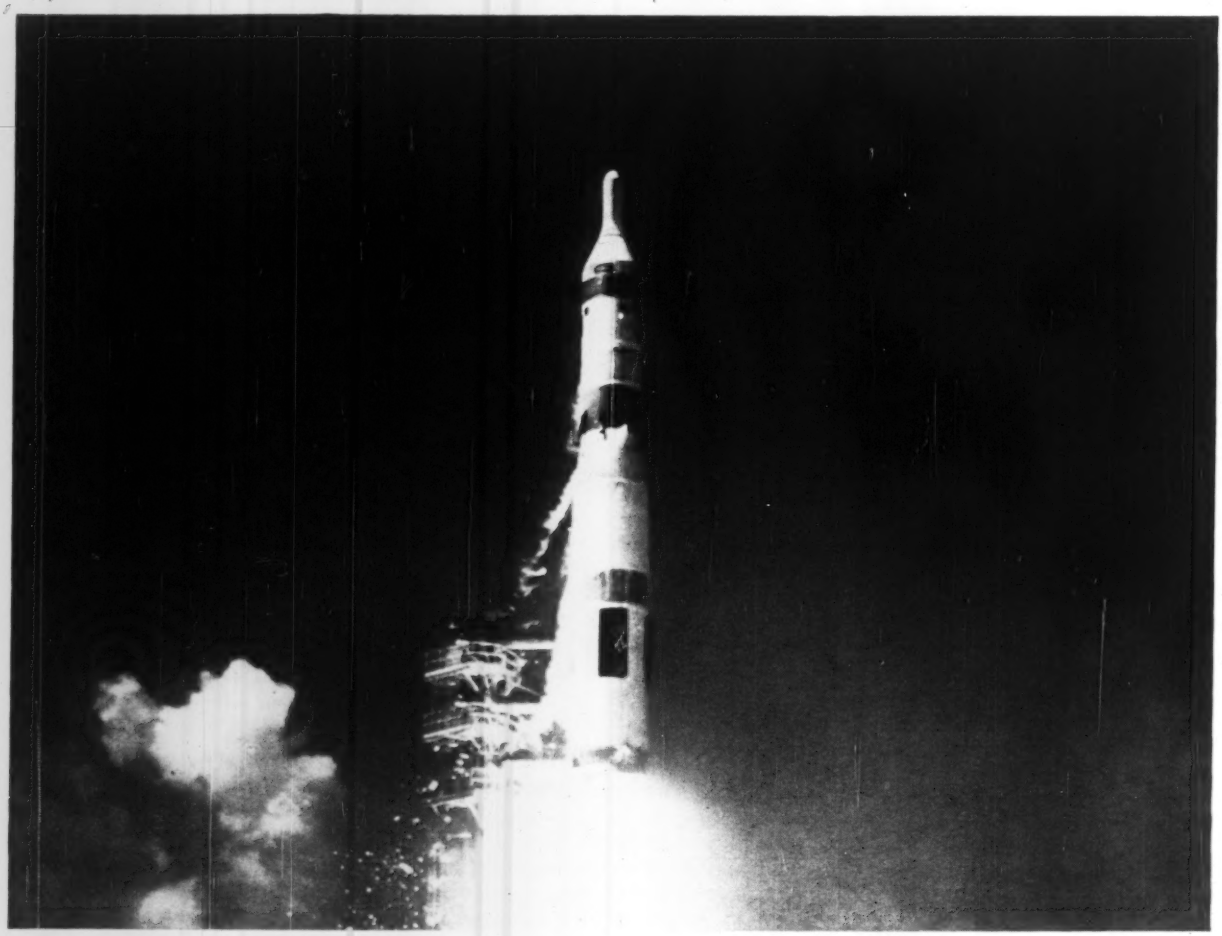

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not mean that the party is on the way out. Proof of its strength, he notes, is in the large popular vote rolled up in the last election. He is convinced, however, that the Republicans have marched too long under the banner of *laissez-faire*.

The next four years present a great opportunity for Republican legislators to demonstrate that they are an effective opposition party, Case believes. "All that is needed to preserve the party's influence and hold its popular following is to make clear that it has abandoned the thinking of a bygone age—as well as outdated habits of speech—and is prepared to provide prudent, progressive leadership. Ultra-conservatives should not be allowed to take over."

Senator Case asserts, "Republicans should join the Democratic majority in supporting constructive legislation, although we must examine the specifics of each particular proposal. But the problems facing the country are real. We should help in finding sound and effective solutions that take into account the good of the entire nation, rather than what sectional and minority groups dictate."

A "sound-dollar" liberal

Case predicts that history will single out as one of the greatest achievements of the Eisenhower administration the success of its efforts to check inflation. A prerequisite for increased economic growth, he notes, is a sound dollar.

Case cites figures to show that prices paid by consumers in the eight years of the Eisenhower administration increased at half the rate they did in the last four years of the Truman administration. He is against any program that increases the prices of consumer goods.

"We need heavy accumulations of savings to flow into private investments," he says. "The economy does not grow under Government subsidy. Income tax laws should be revised so as to foster initiative and development, for when the tax structure is unduly punitive, we lose productivity we can ill afford to do without. Reason and sanity must be brought into our fatuous farm price support program, as well. Efficiency in government and fiscal soundness are vital. We know it costs money to defend our national security. We do not want to pass our burden along to our children and grandchildren." END

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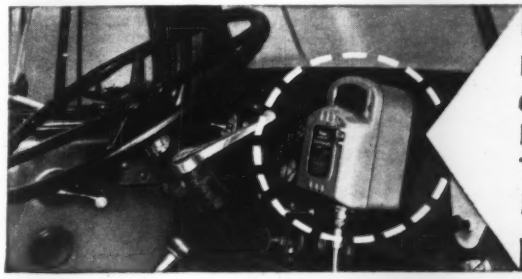

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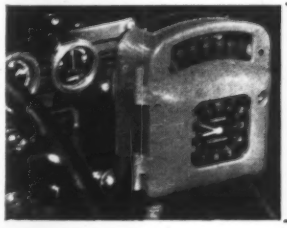

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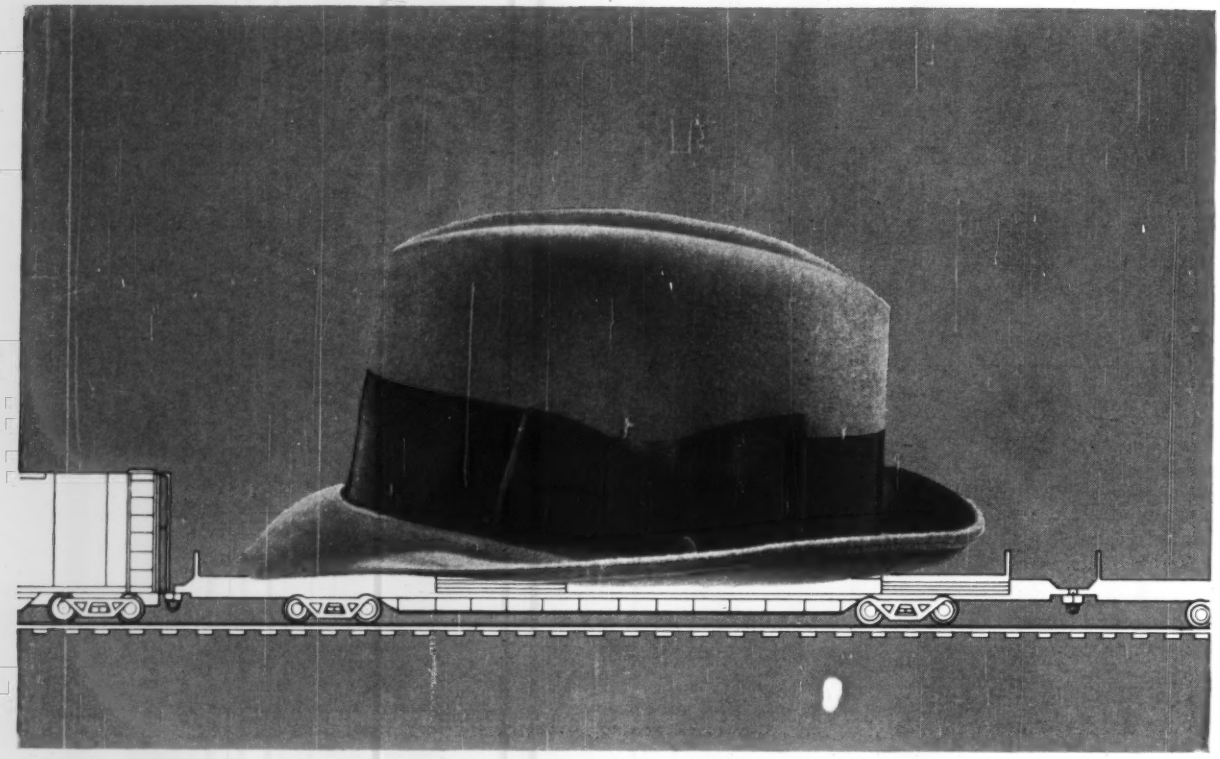

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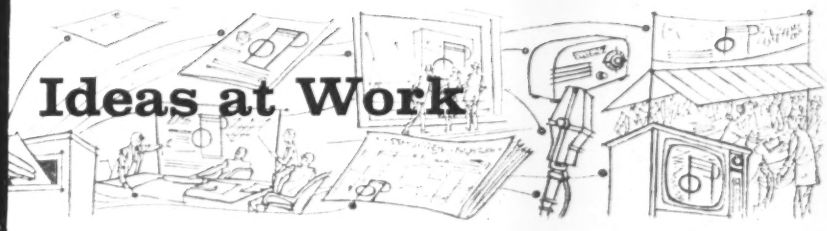

Ideas at Work

» *Last fall's political campaign brought landslide victory for new product-sampling policy.*

» *One company finds column on religion has house-organ appeal.*

Sampling Success

Candidates who peddled political nostrums during the recent campaign were surprised to receive, unsolicited, a well-known cough-and-throat remedy in the mail. Smith Brothers, Inc., of Poughkeepsie, New York, sent 112 samplers with two cough drops apiece to every nominee for major office in the nation.

With the sample went a letter to each candidate announcing: "We hope that they will keep you in good voice during the campaign. Naturally, we will not use your name in any way, but we hope the benefits of our product will be so great that you will want to use ours."

Lozenges were mailed under a two-point sampling policy that many manufacturers could adopt: 1) Distribute samples only when the recipient has his greatest need for the product, 2) distribute samples only when there is a chance to demonstrate the product to others besides the person who receives it.

Publicity and good-will dividends reaped by the mailing exceeded the company's fondest hope. Three out of four recipients sent thank-you letters, many, despite the company's letter, requested additional samples, and many submitted testimonials.

One candidate for national office wrote he was sucking a Smith Brother's cough drop when presented to his party's convention. He discarded the unfinished sample, "not thinking that TV was taking it all in." Almost immediately, he reports, inquiries poured in asking what kind of cough drop he used.

"It was nice" confides Smith Brothers President Robert N. Hustis, "to have played this small part in history."

Grace Note

A 36-piece employee *marching band, started as a recreation program, is helping C. G. Conn, Ltd., Elkhart, Ind., project its "corporate image" to a delighted public. (It also boosts product publicity, since Conn manufactures the instruments.) Formed two years ago to perform during Elkhart's centennial celebration, it was an immediate success and has been a corporate asset ever since. It has performed in New York and Chicago, and on a nationwide TV broadcast. Band members are recruited from all occupational levels in the company, ranging from blue-collar to executive.*

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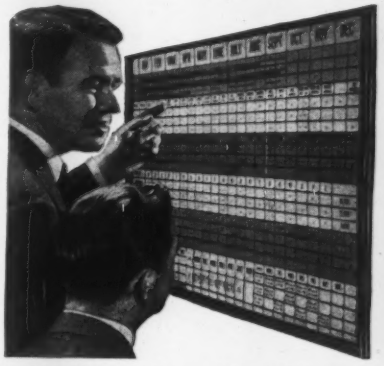

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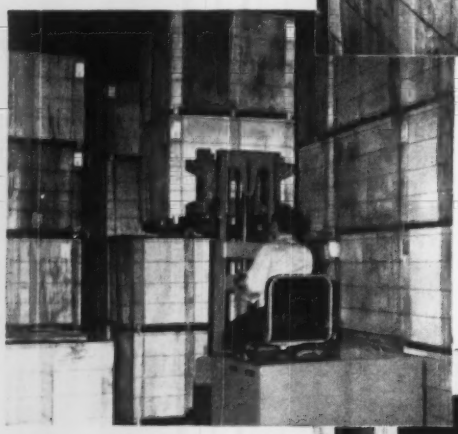
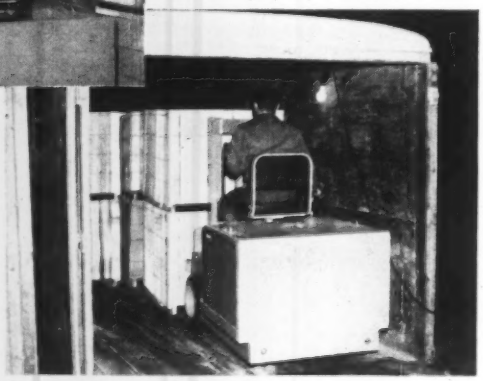
WIREBOUND Pallet Boxes Cut Handling Costs

The Swan Rubber Co. of Carey, Ohio, packs newly-made rubber tires into Wirebound pallet boxes. The packing pattern permits a quick, simple count, simplifies taking inventory. Up to 1000 lbs. of rubber or plastic products are packed directly into Wirebound boxes at ends of production lines.

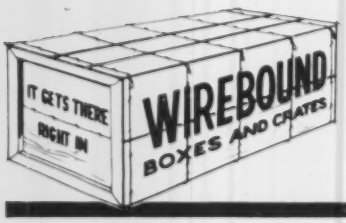


Swan Rubber stacks Wirebound pallet boxes four high in storage areas. They have no warehouses or distributors, and all storage is temporary. The use of Wirebound pallet boxes has eliminated burst containers and toppled stacks, and has accounted for substantial savings.

Wirebound boxes are shipped by truck from Swan Rubber Co. direct to customers' plants. Truck loading time, formerly 3 to 4 hours when small containers were used, has been cut to 30 minutes or less. Consignee handling time has been similarly reduced.



Built for easy handling and stacking, Wirebound pallet boxes provide strength, stability and protection. Wirebounds can save you time and money throughout plant operations, storage and shipping.



Contact Wirebound box manufacturers for full information or write to the address below.

WIREBOUND BOX
MANUFACTURERS ASSOCIATION
222 W. Adams Street, Room 1457
Chicago 6, Illinois

1116

The Clergy Speaks

Should a corporation offer spiritual and religious guidance to its employees?

A few companies say yes. One—Le Tourneau of Longview, Tex.—even employs a resident chaplain who is available for employee counseling whenever needed. Other companies, such as American Mutual Liability Insurance Company, Wakefield, Mass., have non-denominational employee chapels for private prayer and meditation.

But A. & M. Karagheusian, Inc., of Albany, Ga., takes a less direct approach toward providing religious counsel for its workers. The carpet manufacturer has set aside space for a monthly column entitled "The Clergy Speaks" in its internal newspaper, *The Tufter*. Written by local religious leaders, the column carries a spiritual message which, unlike sermons in church, can easily be passed-up if employees wish.

Each of the three major faiths is represented in the column at one time or another, says *Tufter* editor Justin M. Robinson. Contributors are drawn on a rotating basis from the membership of the Albany Ministerial Association, which consists of local priests, pastors, and rabbis. It usually takes about two years to complete a full cycle of contributions by the clerics.

At that point, the cycle starts over again and spiritual leaders of congregations new in town are added to the roster.

The contributing clergymen are given a free hand in selecting their topics and writing them up. And employee reaction to the column is excellent, says Robinson.

Clothes Make the Man

One of the colorful traditions of American industrial workers is the use of varied haberdashery—bowling league shirts, gaudy sports shirts, baseball caps, and the like.

But on investigation, a number of companies have found that uniforms give workers a greater sense of neatness and efficiency. Edward Valves, Inc., a subsidiary of Rockwell Manufacturing Company, recently introduced company-sponsored shirts with Edward's theme, "Quality Always," stitched on the back. And General Telephone Company of Michigan

supplies clothing that combines color and safety: Engineers doing highway work wear black-and-yellow vests that show up well and are easy to slip on and off.

Whittling Down "Whistles"

A factory whistle, so the story goes, blew long and shrill one mid-afternoon. Discussion among the corporate directors died out until the whistle blast ceased.

Then, when the last tone had faded away, the board chairman demanded an explanation: Why had a whistle blown at 3:18 PM? No one could say for certain. A plantwide investigation revealed only that the whistle had blown for years precisely at that time. When no better reason could be uncovered, the signal was discontinued then and there.

Now Bankers Trust Company of New York reveals it will discontinue a "whistle" of its own. For years, when handling documents relating to overseas shipments, the trust company required principals to fill out each set of documents in duplicate, triplicate, or quadruplicate. Normally, duplicate documents were sent overseas some time after the originals had arrived.

When someone finally asked why a mountain of multiple consular forms, bills of lading, insurance policies or certificates, and carbon copies of each were amassed every year, no one could provide an answer. Yet the amount of clerical work needed was staggering: An average 100,000 multiple transactions were completed each year. All of them involved considerable sorting, filing, storing, and mailing.

Starting this month, Bankers Trust will send overseas only the first set of shipping documents. Duplicates will be retained for three months, then destroyed. Next year, the trust company plans to eliminate use of multiple documents entirely. Past experience, it wrote to export customers and foreign correspondents, indicates that only a "minute percentage of total mailings (far under 1 per cent)" requires duplicate documents to obtain delivery of merchandise.

In the rare case where an original document is lost or misplaced, Bankers Trust stands ready to contact the people involved and ask them to sign duplicate copies. —J. J. F.

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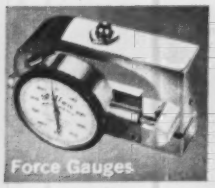

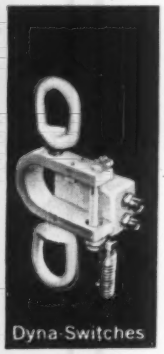

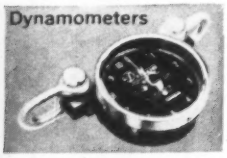

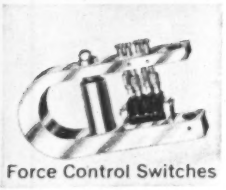

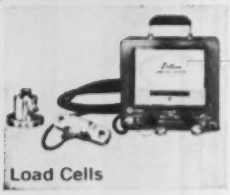

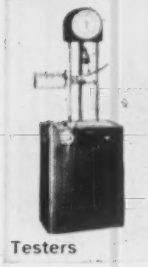

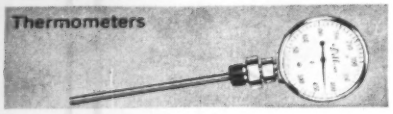

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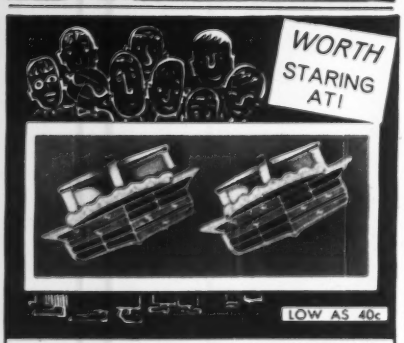

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Impressive in size and substance, this distillation of executive wisdom covers all conceivable management areas. The 60 authors range from young presidents to retired board chairmen. In almost every case, the individual man as well as his wealth of experience comes through.

Thwarting the Thief

MODERN RETAIL SECURITY *by S. J. Curtis. Charles C. Thomas, 301–327 East Lawrence Ave., Springfield, Ill. 1,118 pages, $25.*

Another tome so hefty that it should be no temptation to shoplifters, one of the breeds it dissects and suggests safeguards against. Contributors include such specialists as Dr. Karl Menninger.

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EXECUTIVE RECRUITING. *Executive Reports Associates, Box 375, Lake Forest, Ill. 105 pages, $12.50.*

Nine students of the Harvard Graduate School of Business Administration present a down-to-earth report on "how companies obtain management talent." It deals with everything from the mechanics of the hunt to the ethical problems of raiding.

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A thorough analysis for management of ways to use sight and sound in sales presentations.

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MONEY MONEY MONEY *by Ralph G. Martin and Morton D. Stone, Rand McNally & Company, P. O. Box 7600, Skokie, Ill. 223 pages, $12.50.*

A picture book, with text, that takes the novice behind the scenes in New York's financial district and offers the *cognoscenti* many a pleasant moment of recognition. —P. H. D.

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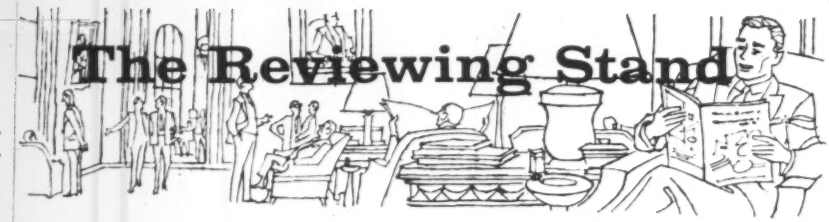


The Reviewing Stand

Trend Setters

1961 will be a good year for those who make it good. No leader in business gets anywhere as a follower of trends. The successful business creates trends, or at least stimulates them by individual initiative. It doesn't act on averages.

Technology is helping some industries, though it is hurting others where products and services are replaced. We have to face the necessity of change and benefit by the innovations. But the new in method cannot replace the old in principle. There is still no substitute for original thinking, the willingness to accept a calculated risk, and persistence in maintaining hard sales drive.

We cannot manage, produce, sell, or deliver by momentum. The power must come from intelligent planning, and profits follow in direct relation to the effort and intelligence expended.

Not Thanks—But Equity

Only the selfish man hungers for gratitude. Uncle Sam has never flaunted his charity to distressed nations in their later days of plenty and occasional tension and dispute. He is bearing a vastly disproportionate cost of maintaining the UN while Uncle Ivan shirks, delays, or denies economic responsibility. Uncle Sam aided Cuba in her struggle for independence, and helped her to build a stable economy with American dollars. Under the guiding hand of Herbert Hoover, he aided the starving Russians with American wheat in the 1920's. He brought succor to Japan in her numerous earthquakes and tidal waves. He poured millions into China in many famines. He helped rebuild Germany after World War I—and Hitler took all the benefit for his evil purposes. He revived a prostrate Western Europe with the Marshall Plan. His dollars have worn down in value serving the distressed ex-colonial nations of Asia and the politically unstable republics of South America.

He has lost the gift of Midas that he had in the years when everything he touched turned to gold and could be funneled into Fort Knox.

Now, he must take an accounting, and if the fat cats mewing contentedly on the coast of Europe don't want to pay for their sharpened claws, then it's time to remind them America has twice paid heavily for Europe's folly, and that the protection of liberty is not our sole responsibility. America was colonized largely through the social, economic, and religious errors of Europe. While we acknowledge a debt to its cultural traditions, that obligation has been paid in dollars as well as sentiment. It is time for Europe to pay some of the price of its recent and ancestral mistakes. And if our diplomats are timid about speaking up, the American taxpayer will do so in terms so unmistakable that Bonn, Paris, Brussels, and London can hear him plain.

The Numbers Game

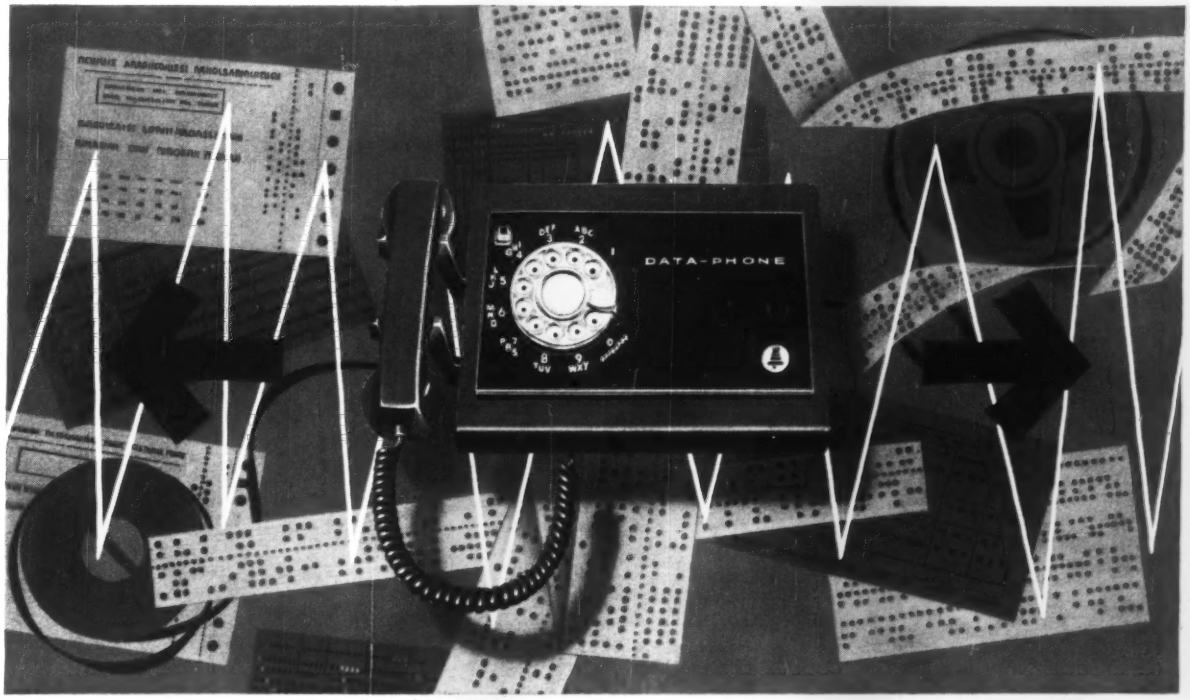
The game of life is rapidly shifting from names to numbers as electronics moves into control of record keeping. A man gets a social security number, 027-92-4185. His business—say, a drug store—gets an industrial classification code, 59-12. His telephone, life insurance policy, credit card, charge plate, club account show a wide variety of Arabic numerals. U-238 is his code for atomic power, U-2 a symbol of political anxiety, and if he is a good business manager, his credit rating may be C 1½.

If he made a fatal error and drank H_2SO_4 instead of H_2O, they would code him for eternity, but St. Peter might have some difficulty remembering 027-92-4185 when his card passes through into the computer for a behavior rating. With world population approaching 3 billion, we may be running out of numbers—though there is still Strontium 90 to consider.

—A.M.S.

Have you heard about the new Bell System service that lets modern business machines talk with each other over regular telephone lines? Its name is

DATA·phone



Something new has been added to the art of data processing. Business machine data can now be sent in a new "machine language"—automatically, from machine to machine—by telephone.

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You can send any kind of data—from punched cards, paper tape or magnetic tape—at Super-Phonic speeds. And you pay for your data transmission just as you do for regular telephone calls. You simply place a phone call to the distant machine location, switch on your Data-Phone at both ends, and the machines start "talking." The Data-Phone unit takes little more space than a typewriter, and the monthly rental charge is small.

Data-Phone can speed the handling of accounting and billing information, inventories, payrolls, invoices, sales orders and numerous other forms of business data. And it is compatible with an ever-increasing number of data-processing machines in use today. Many business firms already have it.

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